COMMITTEE FOR STANDARDISATION OF PAY SCALES, ALLOWANCES AND PERQUISITES OF OFFICERS IN THE NATIONALISED BANKS

WITH MODIFICATIONS

CHAIRMAN

Prof. V. R. Pillai

MEMBERS

Shri K. P. J. Prabhu

Shri S. M. Joshi

Shri J. M. Lalvani

Shri R. Rajamani, *Member Secretary*

सत्यमेव जयते

New Delhi

30th May, 1974.

PREFACE

The Government of India, by a resolution dated July 19, 1973, appointed a Committee consisting of 5 members, to standardise the pay scales, allowances and perquisites of the Officers in the 14 Nationalised Banks. This Committee is popularly referred to as the 'Pillai Committee', named after its chairman. The Committee submitted its report in May, 1974.

The Government of India, in September 1976, appointed a Study Group of Bankers to make suggestions for the implementation of the Pillai Committee Report. This Committee suggested certain modifications in the method of implementation and submitted its report in February, 1977.

The Government have now adopted the report as modified by the Group of Bankers.

Insofar as Dearness Allowance is concerned, the Government have decided that while the amount of neutralisation may continue to be 3 per cent of pay subject to a maximum of Rs. 27/- for every 8 points rise upto a level of 272 in the quarterly average all India index as recommended by the Pillai Committee, it should be limited to $2\frac{1}{2}$ per cent for every 8 points rise thereafter subject to a maximum of Rs. 20/- as is obtaining in the Government.

In the following pages, the Pillai Committee Report is reproduced with permission of the authorities.

The modifications suggested by the Group of Bankers are indicated in sub-paragraphs after the appropriate paragraph and are in italics.

STAFF OF THE COMMITTEE

Name	*Designation*
Shri H. K. Guha	*Assistant Secretary*
,, O. P. Puri	*Administrative Officer*
,, B. P. Misra	*Research Officer*
,, P. B. Krishnamurthy	*Section Officer*
,, S. Muthukrishnan	*P.S. to Chairman*
,, N. S. Natarajan	*Personal Assistant*
,, J. L. Taneja	*Personal Assistant*
,, N. Venugopalan	*Assistant*
,, B. N. Tewari	*Assistant*
,, M. Mukhopadhyay	*Assistant*

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CHAPTER 1

INTRODUCTORY

The background

1.1 The nationalisation of the 14 major banks in the year 1969 was a landmark in the history of banking in India. The change from private to public ownership was by itself not very significant; what made this measure important was a sea change in the concept of banking in a developing country. The main objective of nationalisation was to make the banking system a potent instrument for accelerating the development process by extending banking services to the vast unbanked areas in the country and making bank credit available to the lowly sections of the population who were at the mercy of the moneylenders. This new trend necessarily involved some fundamental changes not only in the organisational structure and procedures of the banks but also in the role of the bank manager.

> "Today, the branch manager can no longer operate in isolation. He has to go out, meet people and make himself acceptable as a part of the community so that the small borrowers can discuss their credit requirements with him for giving a concrete shape to their productive ideas. With this change, the branch manager now finds himself called upon to study and understand human nature in a bid to evaluate and assess the man behind every scheme or proposal. He has to learn, for the first time, the economics of operation in the new areas of bank finance, particularly in agriculture, small business, transport and self-employment ventures. Today, with increasing decentralisation of operational responsibility in each bank, the credit-decision points that were few and generally located only in its head office have increased manifold and travelled down to the branch level. From being a mere purveyor of credit at the behest of the head office, the branch agent now functions under powers vested in him and has to rely upon his own initiative and judgment."**

1.2 The need for attracting a sufficient number of the right type of personnel with the necessary initiative, enterprise and aptitude for service to the officer cadres of these banks has come to the forefront with the rapid expansion of branch banking throughout the length and breadth of the country. But at present each of the 14 nationalised banks follows its own recruitment and personnel policies, based on the traditions and ethos which it has inherited from the days of private ownership. There is also great diversity in the pay scales, allowances and other conditions of service appli-

** New Trends in Banking, Government of India, Department of Banking — page 1.

cable to the officers, which is an anachronism under a common ownership. It is all the more so because in respect of the clerical and subordinate staff of the banks (generally referred to as the award staff), a process of convergence in the pay and allowances had already been set in motion by various awards of tribunals and bilateral settlements between the workmen's unions and the bank managements represented by the Indian Banks' Association. This trend has been carried forward after nationalisation with the result that there is today uniformity in respect of the pay structure of the award staff in the 14 nationalised banks, but considerable diversity in the pay scales and allowances of the officer cadre. This incongruity creates an anomalous situation because the large majority of officers are promotees from clerks but their pay scales and prospects differ from bank to bank on promotion. One of the important recommendations of the Banking Commission was the introduction of centralised recruitment of officers for the 14 nationalised banks and the setting up of a National Banking Service Commission. But the Banking Commission found the prevailing diversified pay structure of officers in these banks a hindrance to centralised recruitment policies and therefore recommended as follows :-

> "Before the (National Banking Service) Commission can start functioning effectively, salaries and other emoluments of the staff of the National Banks at various levels will have to be standardised, and this work should be taken up in right earnest by the Government of India."**

The Banking Commission also suggested that those in the selection grades in the bank, *i.e.* "posts which involve control over branches in a region or taking policy decisions or which carry at the beginning of the scale total emoluments (including perquisites) of Rs. 2,000/- (per month) and above," should be transferable from one nationalised bank to another†. It was in pursuance of the above recommendations that the Government of India set up this Committee for standardisation of scales of pay, allowances and perquisites of officers (other than award staff) in the 14 nationalised banks.

Composition and terms of reference of the Committee

1.3 This Committee was constituted by the Government of India Resolution†† No. F.4(26)/72/IR dated July 19, 1973. The composition of the Committee is as follows :-

Prof. V. R. Pillai	Chairman
Shri K. P. J. Prabhu	Member

** Report of the Banking Commission, Government of India, 1972 (pp 354-355 — Paragraph 14.22).

† Paragraph 14.32 — page 357, *ibid.*

†† A copy of the Resolution is placed at Appendix I.

Shri S. M. Joshi	Member
Shri J. M. Lalvani	Member
Shri R. Rajamani	Member Secretary

The Committee will enquire into and make recommendations to the Government on the following :-

(i) the principles that should govern the structure of pay scales of officers of nationalised banks and to suggest such changes in the existing structure as may be necessary to bring about standardisation of scales of pay. In making its recommendations, the Committee will take into consideration the terms and conditions of the Chairman and Managing Directors of nationalised banks;

(ii) the allowances, amenities facilities or benefit in kind that should be admissible to the various grades of officers in the nationalised banks;

(iii) the age of superannuation of and the nature and quantum of terminal benefits for the officer cadres;

(iv) the principles that should govern the question of transferability of senior staff amongst the various nationalised banks *i.e.* posts which involve control over branches in a region or which are entrusted with the responsibility of taking policy decisions or which carry at the beginning of the scale total emoluments including perquisites of Rs. 2,000/- and above per month, and

(v) any other matter incidental or ancillary to the foregoing which the Committee may deem fit.

Scope of the work

1.4 The Committee's work is confined to the following 14 nationalised banks :-*

1. Central Bank of India
2. Bank of India
3. Punjab National Bank
4. Bank of Baroda
5. United Commercial Bank

* The term 'public sector banks' wherever used in the Report would include the 14 nationalised banks, State Bank of India and its 7 subsidiaries *viz.* State Bank of Bikaner & Jaipur, State Bank of Hyderabad, State Bank of Indore, State Bank of Mysore, State Bank of Patiala, State Bank of Saurashtra and State Bank of Travancore.

cable to the officers, which is an anachronism under a common ownership. It is all the more so because in respect of the clerical and subordinate staff of the banks (generally referred to as the award staff), a process of convergence in the pay and allowances had already been set in motion by various awards of tribunals and bilateral settlements between the workmen's unions and the bank managements represented by the Indian Banks' Association. This trend has been carried forward after nationalisation with the result that there is today uniformity in respect of the pay structure of the award staff in the 14 nationalised banks, but considerable diversity in the pay scales and allowances of the officer cadre. This incongruity creates an anomalous situation because the large majority of officers are promotees from clerks but their pay scales and prospects differ from bank to bank on promotion. One of the important recommendations of the Banking Commission was the introduction of centralised recruitment of officers for the 14 nationalised banks and the setting up of a National Banking Service Commission. But the Banking Commission found the prevailing diversified pay structure of officers in these banks a hindrance to centralised recruitment policies and therefore recommended as follows :-

> "Before the (National Banking Service) Commission can start functioning effectively, salaries and other emoluments of the staff of the National Banks at various levels will have to be standardised, and this work should be taken up in right earnest by the Government of India."**

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patterns as determined by collective agreements impinge on the salary scales of officers, consideration of some aspects of the clerical cadre will incidentally come within the ambit of our work. The Committee has been specifically asked to take into consideration the terms and conditions of the Chairman and Managing Director as determined by the Government,* in making its recommendations.

1.8 The subject of bonus for the bank staff is inextricably tied up with the general question of bonus for industrial employees. As the Bonus Review Committee is seized of this problem, we do not propose to go into the matter.

Procedure and schedule of work

1.9 The Committee commenced working on the 19th July, 1973, and held its first meeting on 14th August, 1973. It had to devise its own procedure of work as per the terms of its appointment At the outset, it was decided to elicit the views of all those interested in the issues referred to us. A Press Note** was accordingly issued on 10th September for the purpose and copies were sent to all the 14 banks with a request to give it wide publicity among the staff at the headquarters and all their branches. Associations of officers and Employees' Unions were directly addressed and requested to submit memoranda. The last date for the submission of the memoranda which was originally fixed as 5th October, 1973 was extended at the request of the parties to 5th November, 1973. Certain representative organisations, however, came forward with their memoranda only at a much later date, and in order to accommodate them, the taking of evidence had to be extended right up to 9th May, 1974. Lists of organizations and individuals who responded with memoranda and/or appeared before the Committee are given in Appendices IV and V.

1.10 Data collection was another important area of activity to which the Committee addressed itself simultaneously. A detailed questionnaire† was prepared and sent to all the 14 banks calling for factual data relating to the whole gamut of pay scales, allowances and other benefits, recruitment and promotion policies, etc. We received the fullest co-operation from all the banks, each one of which had appointed an officer to liaison with us††. The required data was furnished expeditiously by December, 1973 and wherever necessary the officers of the Committee went to the banks' headquarters for verification of facts, clarifications, and supplementary data. The Committee, after making a preliminary study of the data collected, visited the headquarters of all the 14 banks and had dis-

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* See Statement 28.

** Copy attached as Appendix II.

† Copy attached as Appendix III.

†† List of officers of nationalised banks who maintained liaison with the Committee is at Appendix VI.

cussions with the Chairmen and top executives on the issues raised in our terms of reference. Opportunities were given to bank officers also to meet the Committee individually or in groups where such requests were received. The round of visits for discussions with banks was completed by 19th March, 1974. These visits have been of great assistance in studying the organisational structure and peculiarities of each bank, getting a feel of their problems and ascertaining the views of the top executives on important issues. Simultaneously, the Committee also visited a number of branches of different banks in different sectors to study their working with special reference to their 'lead bank' responsibilities, priority sector advances, the role of specialists and the conditions of work of officers.

1.11 We tried to get informed opinions on the issues posed before us from as wide a spectrum as possible. All associations/unions/individuals who had submitted memoranda were afforded opportunities to give oral evidence before the Committee. Thus, the Syndicate Bank Officers' Association and All India Syndicate Bank Officers' Association met us at Manipal on 23rd February, 1974; the Punjab National Bank Officers' Association met us at Delhi on 16th March, 1974; the All India Bank Officers' Association met us at Delhi on 8th April, 1974 and the All India Bank Employees' Association met us at Delhi on 16th April, 1974. Senior Officers of the Department of Banking, Government of India were also invited to meet the Committee on 9th April, 1974 to give us the benefit of their personal views on some of the issues in our terms of reference. The All India Confederation of Bank Officers' Organisations came late into the picture. Their representatives had a preliminary meeting with us in the 29th April, 1974 and a further meeting was held on the 8th and 9th May, 1974 to discuss their memorandum.

1.12 Though the State Bank group is outside our purview we found it necessary to get comparative data on all points covered by our detailed questionnaire. We are glad to say that the State Bank authorities evinced keen interest in our work and supplied all the data needed. The Reserve Bank of India too extended its co-operation by supplying whatever data we wanted. The Committee held very valuable discussions with the Governor and Deputy Governor of Reserve Bank, and the State Bank Chairman on a number of issues connected with its work.

1.13 The Committee held 10 meetings in all. The final meeting was held at New Delhi on 30th May, 1974 when the Report was signed and presented to the Finance Minister, Government of India.

Acknowledgements

1.14 We have been able to complete our task well ahead of the time allotted, thanks largely to the valuable assistance we have received from all quarters: managements, associations/unions,

the Banking Department of Government of India, the State Bank of India, the Reserve Bank of India and above all, the small but devoted staff of this Committee who have spared no pains to give of their best. We acknowledge our indebtedness to all of them. In this connection, we would like to make a special mention of the unstinted co-operation which we have received from the Chairman and Managing Directors of the nationalised banks and the kindness and consideration invariably shown to us by Shri N. C. Sen Gupta, Secretary, Department of Banking in affording us all facilities for work. We wish also to express our gratitude to Shri S. Jagannathan, Governor, Reserve Bank of India, Dr. R. K. Hazari, Deputy Governor, Reserve Bank of India, Shri R. K. Talwar, Chairman, State Bank of India, and Shri M. G. Balasubramanian, Additional Secretary, Department of Banking, for giving us the benefit of their expert knowledge and experience for tackling a wide range of problems which confronted us.

1.15 The Chairman and Members of the Committee would also like to take this opportunity to place on record their high appreciation of the excellent work done by their esteemed colleague Shri R. Rajamani in his capacity as Member-Secretary.

CHAPTER 2

NATIONALISED BANKS — THEIR ORGANISATIONAL STRUCTURE

2.1 The 14 banks nationalised in 1969 had grown up as private institutions each with its own history, organisation, traditions and culture. The organisational set-up today shows considerable diversity. This has naturally led to considerable diversity in their pay structure as well. Pay being a compensation for the discharge of certain functions and responsibilities involving also the exercise of authority at various levels, it is inextricably bound up with the organisational structure of an institution. Therefore, though we have been required by our terms of reference to suggest such changes in the existing structure of pay scales only as may be necessary to bring about standardisation, it is incumbent on us to examine the existing organisational structure of these banks. It is obvious that standardisation of pay scales would be greatly facilitated if some broadly uniform pattern of organisation existed in these different units. Our exercise in this chapter and the next will be confined to an examination of the organisational structure of the nationalised banks and the recent trends in their re-orientation.

Organisational structure before nationalisation

2.2 For a meaningful appreciation of the organisational structure in the 14 nationalised banks, we need dwell on the structural changes that took place before and after nationalisation. The pre-nationalisation period was essentially an era of unrestricted private enterprise till 1967 when an experiment in social control was initiated whose inadequacies led to complete nationalisation in 1969. Before social control, the geographical coverages of these banks was limited to urban areas, particularly metropolitan centres. Functionally, the banks generally confined themselves to traditional operations such as deposit mobilisation and advances to the organised sector of industry and trade. A head office-branch structure with a high concentration of power at the head office was perhaps suitable for a set-up like this. The branches, by and large, were directly responsible to the head office. In a few cases where the branch network was far-flung, some measure of decentralisation of powers had been attempted and certain functionaries were introduced in the organisation between the head office and branches, but even they were often located in the head office itself. Further, such innovations were dictated more by the need to exercise stricter control and supervision over the branches than by any desire to serve certain areas better. Most of the banks relied on functional departmentalisation at the head office. The Canara Bank Ltd., however, had opened as early as 1950, district offices at Bangalore, Madras and Madurai with a group of branches under each such

office. Again between 1952 and 1954 the administrative structure of the bank was streamlined with the opening of three new departments in the Head Office, *viz.*, (i) Advances, (ii) Establishment and (iii) Coordination and another at Bombay, *viz.*, the Foreign Exchange Department. This marked the first step toward geographical decentralisation of authority in the Indian banking structure.

2.3 The Bank of Maharashtra Limited, which followed a line type of organisation at the head office with direct hierarchical chain, created four geographical divisions under the charge of Divisional Managers in 1966. Besides the cadre of Divisional Managers, a new cadre of Assistant General Managers was created simultaneously to assist the General Manager.

2.4 Similarly, the Union Bank of India Ltd. changed its set up in the late sixties to become functional-cum-regional, with regional bias becoming more pronounced. On the other hand, United Bank of India Ltd., which had branches in important state capitals in Northern India and the United Commercial Bank Limited which had branches throughout the country had no regional organisation till after nationalisation. Among the big five, *viz.*, Central Bank of India Ltd., the Bank of India Ltd., the Punjab National Bank Ltd., Bank of Baroda Limited, and the United Commercial Bank Ltd., which had their branch proliferations on a wide scale, only the Punjab National Bank Limited had actually set up regional offices.

2.5 With the imposition of social control in 1967, almost all the banks felt the need for reorganising at least their head office structure. This took the shape of opening new functional departments in the head offices under the charge of officers with new designations. For a few banks, however, the special control phase heralded the structural reorganisation of the bank on a territorial basis. In the case of Union Bank of India Limited, as already stated, the organisational set up was modified to become functional-cum-regional. The Canara Bank Ltd., brought its branches under four separate zones, *viz.*, Central, Western, Eastern and Northern each headed by a Deputy General Manager. During this period the structural organisation of the Bank of Maharashtra Ltd., still continued to be a line-type of organisation *i.e.* under the Chairman there were three Joint General Managers and under each Joint General Manager there was one Assistant General Manager. Five new geographical divisions were carved out to make a total of nine, and each Assistant General Manager at the head office was put in charge of three divisions for the purpose of control, supervision and direction.

2.6 In the case of the Indian Overseas Bank Limited, several specialised divisions were set up at the Central Office. Thus, an Agricultural Credit Cell was established in September 1967

Later, this was bifurcated into processing and recoveries divisions, each supported by technically qualified staff. An Agricultural Consultant located at Madurai is assisting the Regional Manager in sanctioning loans to farmers in five districts. At branch level, technical appraisal is done by agricultural graduates called Farm Representatives. The Small Scale Industries Cell was also set up in the head office in the same year. It is under the overall charge of a Special Officer.

Recent Changes

2.7 The changes in the organisational structure of nationalised banks have been most conspicuous during the post-nationalisation period. The conception of conventional banking underwent a big change with the nationalisation of banks. Profit making was no longer the main criterion of performance and social purpose became the paramount consideration. Branch expansion and deposit mobilisation now became the corner stones of the new policy intended to extend banking facilities to the vast unbanked areas in the country. The mobilisation of savings and the channelling of advances to the hitherto neglected sectors of the economy with a view to increasing the productivity of the country received top priority. Concomitantly, all the fourteen nationalised banks had to accept responsibility under the Lead Bank Scheme formulated by the Reserve Bank of India which greatly increased their involvement in the development process at the district level. Each bank was required to assume responsibility for the development of banking facilities in its lead districts. They had to identify growth centres for branch expansion, initiate development projects after assessing their viability and suitability for bank financing and play a positive role in activating the rural economy and stimulating growth. All these involved much preparatory as well as follow up work which was previously unknown to the banking industry in India or elsewhere.

2.8 Most of the banks naturally found themselves ill equipped organisationally to measure up to these challenges and were compelled to initiate basic structural changes in their organisation both at the head office and in the field. Decentralisation was the keynote of these changes. The prevailing trend in reorganisational is firstly to free the head office from all routine operational functions so as to enable it to concentrate on policy matters and secondly to promote quick implementation of policies by delegation of powers as near as possible to the implementing authority. The re-organisation at the head office often took the shape of adding new functional departments/cells. In the process, some of the banks became entirely functional at the head office and others became functional-cum-regional at that level. But the trend towards becoming more and more functional at the head office is evident in all the 14 nationalised banks today. The field organisation naturally underwent consequential changes. Those banks

which had already initiated geographical decentralisation of authority during the pre-nationalisation period carried it further by opening new regional offices or augmenting old ones. In some cases, new organisational tiers have been created to facilitate the process of decentralisation. A brief review of the recent changes in the organisational structure of the 14 nationalised banks subsequent to nationalisation is attempted in the following paragraphs.

2.9 *Central Bank of India:* On February 1972, the Central Office of the Bank was divested of its operational duties to enable it to concentrate on policy and planning matters. Further, the Zonal system was also introduced with considerable delegation of powers. The idea was that Zones should function with a large measure of autonomy. Before the Zones were created, there were only Divisions which reported directly to the Central Office. To enable the Divisional Offices to concentrate on developmental activities and establish more frequent contact with branches, loan sanctioning powers were taken away from the Divisions. However, the bank soon gave back certain selected Divisional Managers the powers of loaning. In 1973, a Committee of Executives was allowed to exercise the loan sanctioning powers vested in the Chairman provided there as unanimity among the members of the Committee. The General Manager is now in overall charge of loan sanctioning and presides over the loan Committee.

2.10 *Bank of India:* With lead bank responsibilities invested in it in U.P. and Orissa, where the bank had only one or two branches, the bank's coverage in India widened. As a consequence, several changes in the organisational structure had to be brought about. Eight Regional Offices had to be set up. In between the Regional Offices and Branch Offices, another organisational tier *viz.*, Area Offices, was also added. These Offices are intended to deal with developmental measures taken up by the bank in the wake of nationalisation. The Area Office does not deal with administrative matters thrown up by the branch offices. Such matters are referred direct to the Regional Offices by the Branch Offices. At the Head Office, business is organised on a functional basis and there is no geographical demarcation. Each major function is entrusted to a department and 13 such functional departments have been set up.

2.11 *Punjab National Bank* After nationalisation, the number of Regional Offices have increased to 12. These offices facilitate quick local decisions. The Regional Managers and Head Office executives meet quarterly to frame policy, budgets, etc., and to appraise performance. The trend is towards making the regional offices miniature head offices.

At the head office, Divisions like Regional Coordination, Management Services and Manpower Planning, Selection and Training were set up.

A number of permanent functional Committees, such as Executives Committee, Finance, Credit, Personnel, Priority Sector have been formed at the head office to replace the hierarchical system of decision making.

2.12 *Bank of Baroda:* In the field organisation two additional tiers have been added between the head office and branch offices, *viz.*, Regional Offices and Area Offices. Depending upon the size and importance of the Region, the Regional Office is headed either by Assistant General Manager or Regional Manager. Similarly, the Area Office having control over 25-30 branches is headed either by Assistant Area Manager or Area Manager.

The work in the Head Office is handled on a functional basis. Besides having five special advisers who advise the Chairman and Managing Director on vigilance matters, recoveries, legal matters, multi-service agencies and economic matters, the functional heads in the head office consist of — 2 General Managers, 4 Deputy General Managers, 1 Assistant General Manager and 3 Chief Officers.

2.13 *United Commercial Bank:* Under the reorganisation scheme which came into effect from 1-3-1972, the Head Office set-up has been organised purely on a functional basis with three Divisions, *viz.* (i) Administration and Accounts, (ii) Banking Operations and (iii) Planning and Development, each under the charge of a Deputy General Manager.

While the Head Office will remain as an apex body, the entire country has been divided into six zones which are controlled by Assistant General Managers with headquarters in metropolitan cities. Under the six zones, there are 15 divisional offices, each under the charge of a Divisional Manager.

2.14 *Canara Bank:* In Canara Bank the process of decentralisation was further carried forward and the number of Regional Offices increased to 19.

In the Head Office a Planning and Development Zone under the charge of a Senior Deputy General Manager was created in 1970 to look after centralised functions and to effectively carry out the objectives of nationalisation. To the secretariat of the Chairman was added a Development and Coordination Wing.

2.15 *United Bank of India:* This bank which had a highly centralised organisation during pre-nationalisation period started the decentralisation process in 1970. Six Regional Offices have been created. Line functions from agents of branches converge on Regional Managers who are in direct contact with the Deputy General Managers/Assistant General Managers exercising functio-

nal control and coordination over the Regions on behalf of the General Manager. Below the level of Regional Offices, District Development Officers have been appointed both in the Lead Districts and elsewhere to guide and control the branches in respect of priority sectors and to survey potentials of the area.

Technical divisions were created at the head office under the Assistant General Manager (Credit Lines) and Assistant General Manager (Development). Different types of specialists were inducted at various levels so that priority sector advances could be made without difficulty. A Management Development Department entrusted with the tasks of manpower forecasting and planning was created.

2.16 *Union Bank of India:* After nationalisation, the country was divided into five zones under Assistant General Manager (East), Assistant General Manager (West I), Assistant General Manager (West II), Assistant General Manager (South) and Deputy General Manager (Northern and Central). Under Deputy General Manager (Northern and Central) there are three Regional Managers; under Assistant General Manager (West I) two Regional Managers, and under Assistant General Manager (South) three Regional Managers. The area of operation of Regional Managers generally comprises one or two States. The Zonal head assisted by functionalists was now made responsible for the entire gamut of the bank's operations in a particular zone. The sweep of its activities include branch expansion, deposit mobilisation, business development, advances, (except agricultural advances), profitability, etc. Thus, each Zonal Office was a self-contained unit.

To provide extensive development machinery at the field level, three new management levels were introduced between the branch offices and head office, *viz.*, Regional Managers, Development Managers and Group Managers.

Under a special arrangement in this bank, the agricultural financing activities are centralised under an Executive in the Managing Director's office. Certain central functions like investments, properties, central accounts, income tax and publicity and branch expansion licences are centralised under a Deputy General Manager. Similarly, recruitment, promotions and industrial relations are also centralised under the Personnel Manager who has the responsibility of coordination between the zones in personnel matters. The Audit and Inspection Department and the Vigilance Cell are centralised under the Managing Director. Development like Management Development, O & M and Economic Intellgence have been set up in the Central Office. A Central Development Departments has also been constituted to ensure progress in business development, priority sector credits and discharge of Lead Bank responsibilities. Several Advisory Committees have also been set

up to ensure involvement of all the executives in the formulation of policies and their implementation.

2.17 *Dena Bank:* After nationalisation, the Bank created several new departments at the Head Office, e.g. (i) Priority Sector Advances (ii) Agricultural Finance, (iii) Manpower Planning, etc. To this extent the Central Office of the Bank would be functional. But there is still a great degree of centralisation at the operational level. According to the latest decision of the Board of the Bank, the Regional Offices would be further strengthened and the working of the Regional Offices would also be placed on a functional basis. There are 15 Regional Offices under the charge of Regional Managers. These are spread over the States and Union Territories. Fourteen Regional Managers are responsible to three Assistant General Managers in the Head Office and the Regional Manager of New Delhi is directly responsible to Senior Deputy General Manager in the Head Office.

2.18 *Syndicate Bank:* Although this Bank has opened branches far and wide after nationalisation, there has been little change in its structural organisation which remains centralised. Seven Divisional Managers' posts have been created in the Head Office. They control separate geographical areas so far as loans and advances are concerned. The Controller of Advances in the Head Office looks after the work of Divisional Managers (Advances). This means, the functional-cum-geographical set-up continues in the Head Office. Regional Development Offices and an office of Chief Development Manager in the Head Office have been organised. The Regional Development Managers are not saddled with personnel or administrative functions and concentrate solely on development work. Besides the Regional Development Managers, posts of District Managers (Development) have also been created. They look after the developmental work of several branches placed under them. To cope with the new functions taken over after nationalisation, Advisory Cells like Agricultural Finance Department, Industrial Finance Department, Recoveries Department and Small Scale Industries Cell have been opened under the Controller of Advances. Local Loan Committees with the Regional Development Managers as Chairmen have been set up to deal with loan applications beyond the powers of the Managers. But there is delegation of powers in different layers of authority in the head office. This Bank thus appears to have high concentration of authority in the Head Office and is unique in this respect.

2.19 *Indian Bank:* In 1972, 10 Regional Organisations were set up, each under a senior officer called District Managers. In the Head Office a Credit Planning Cell was set up in January 1971. This was specially charged with the responsibilities of ensuring that credit assistance to various priority sectors also results in the generation of as much employment opportunities as possible. Another

special Cell at the Head Office was created in January 1970 to promote the developmental business of the bank. This cell is also in charge of deposit mobilisation. After the creation of a separate Cell at the Head Office during the social control period, the bank has established Small Scale Industries Cells at Bombay, Coimbatore and Cochin to promote advances under this head. The Agricultural Finance Cell which was first established during the social control period, has been further strengthened by drawing on agricultural expertise available from the State Governments of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. The Bank's Department of Economic Studies has also been strengthened by appointing in January 1972 a Chief Economist from the Reserve Bank of India.

2.20 *Indian Overseas Bank:* A Small Loan Committee was created in the Head Office in April 1970 to look after the credit needs of small traders, professionals and self-employed. The Manpower Cell was established for estimating manpower requirements, etc.

On the development side, Business Promotion Division and Marketing and New Schemes divisions have been set up.

The Bank started the process of decentralisation of authority in March 1973 by setting up 7 Regional Offices, under the charge of Regional Managers who were invested with appropriate administrative, operational and financial powers.

Divisions have been opened region-wise, each division having roughly 60 branches under it. Head Office structure is also partly functional and partly geographical. The Bank has 17 lead districts. The branches or Regional Offices which have special lead responsibilities have specialised cells attached to them. At present the policy thrust and major operational functions and control emanate mainly from the Head Office. But it is envisaged that as the Regional Offices gain in experience they will be invested with more powers, both financial and administrative, so that in course of time, they may turn into zonal offices.

2.21 *Bank of Maharashtra:* With the nationalisation of the Bank, two departments, *viz.* Industrial Finance Department and Agricultural Finance Department headed by Divisional Managers were added to the Central Office. Field officers and Deposit Mobilisation officers were appointed. A Planning Officer at each lead district was also appointed to pursue the lead bank responsibilities.

The above measures were not adequate enough to take care of the rapid expansion of the bank's business. The National Institute of Bank Management (NIBM) which conducted a study of the organisational structure on behalf of the Bank has suggested two

significant changes:—(i) the distribution of work among top executives of the bank can better be on the functional basis instead of area basis, (ii) an additional layer of authority which may be called zones may be created between the divisions and central office, with a large measure of devolution of powers. The Bank is implementing the NIBM recommendations in stages. The Central Office structure now consists of departments for regular operational banking and specialised departments to suit the requirements of nationalisation. The Departments so established are advances (other than priority), accounts, foreign exchange, general administration, priority sector advances (including agricultural), planning, personnel, development, inspection and audit. These departments are headed by executives whose work is coordinated by three Assistant General Managers. In addition to three Assistant General Managers at the Central Office, an Assistant General Manager has been deputed to Bombay to head the three divisions of Bombay.

2.22 *Allahabad Bank:* The organisational set up in the Bank is in some respects out of step with the current trends in nationalised banks. Here we have the unique phenomenon of three general managers, two at the head office in Calcutta and the one in U.P. who is in charge of the wide network of branches there. It was only from January 1974 that this bank has adopted measures of decentralisation by setting up six regional offices. But the powers now delegated to the Regional Officers are considerably less than in other banks and vary also with the grade of the officers so appointed ranging from officers on special duty (either in grade I or in Senior Staff Officer's grade) to the General Manager depending upon the volume of business in the area. Thus the Regional Office at Lucknow is headed by a General Manager, the Regional Offices at Calcutta and Bombay are headed by Assistant General Managers and the Regional Offices at New Delhi, Bhopal and Patna are headed by Officers on Special Duty. The number of branches in Andhra Pradesh, Tamil Nadu, Karnataka and Kerala being limited, they have been placed directly under the control of the head office. At present there is no intermediate tier between the Regional Office and the branches.

General Observations

2.23 The measures of decentralisation achieved since 1969 appear to be only a beginning. The National Institute of Bank Management found that even in 1973 "though there have been rapid and complex changes in the business, the structure to deal with these changes remained more or less same as in the past. In most cases the structure is too centralised to deal effectively with the new challenge of business far flung along the length and breadth of the country.* The lack of trained staff and the speed of expansion of branches in hitherto unexplored areas no doubt acted as con-

* Notes for Top Managements Conference II of the NIBM, April 19-20, 1973.

straints, but there is need for a systematic approach to the reorganisation of these banks. All the banks have been growing in size and expanding not on a uniform pattern but on an *ad hoc* basis to meet exigencies as they arose. But, of late, there has been a growing awareness of the need to plan and phase out the reorganisation of the banks and some of the banks have taken the advise of management consultants like the NIBM in this matter. Most of the banks are able to visualise and put through reorganisation programmes, involving in various degrees the decentralisation of powers of management to branches and regional offices and geographical dispersal of the span of control creating or strengthening regional or zonal offices.

2.24 It is heartening to find that there is a gradual convergence of the organisational structure towards a broadly uniform pattern. In the banks which have started growing at a faster rate from a small size since social control days, the process of regionalisation is generally slower. One of the reasons adduced for this is the non-availability of personnel with the needed experience and expertise on whom powers can be devolved. In one case it is attributed to certain special characteristics of business such as the bulk of advances being for small amounts which branch managers can handle within their own powers so that the need for an intermediate tier between the head office and branches is less. Nevertheless, there has been regionalisation of certain functions of the developmental type even in this case and it can be foreseen that with the increase in size and complexity of the business, the process of regionalisation would be accelerated.

2.25 We would also like to draw attention to certain other factors in this process of reorganisation. One is the need for strengthening the manpower planning cells or departments in the banks. The recommendations of the Banking Commission in this regard should have already influenced the banks' plans.* The career paths of the officers in the banks will have to be carefully chalked out and followed up not only in the interests of the officers themselves, but also in the interests of the institutions so as to avoid succession gaps which are now prevalent in several banks. This could be attended to in well organised manpower planning cells. These cells could be the centres which keep liaison with the proposed National Banking Service Commission to project the qualitative and quantitative requirements of the banks. They should work in close coordination with the Organisation and Methods Cells† in order to link manpower requirements and even establishment costs with studies of productivity.

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* Paragraph 14.61 of the Report of Banking Commission.

† Recommendations regarding setting up of O & M Cells in banks were made in para 11.107 of the Report of the Banking Commission and we under stand banks have already made a beginning.

2.26 A well-organised research and development wing which not only organises research into the technical aspects of banking in relation to the bank's business and customer service, but also links this to research on the structuring of personnel policies like induction training and orientation of staff would be an asset to the bank. This could also aid the policy makers in each bank to keep pace with technological changes in this country or elsewhere with which the bank's own future would be bound. But it is found that even the bigger banks have paid scant attention to research. The lead responsibilities of the banks also demand field research to identify growth centres and growth promoting factors which have to be encouraged. A pool of the research findings in each bank could be utilised by a coordinating agency of the public sector banks in formulating its advice on the common areas like planning and utilisation of surplus funds, automation, linkage of banking policies with central banking policy as also on personnel planning including recruitment policy, promotion policy and policy in regard to service conditions of the employees.

CHAPTER 3

THE EXISTING PAY STRUCTURE

3.1 The pay structure of an industry is an all-inclusive concept, comprising the totality of emoluments paid to its employees whether in money or in kind, as compensation for work. It would thus include not only the basic pay and dearness allowance but also the whole gamut of allowances, perquisites and other benefits admissible to them. We shall, in this chapter, deal with the salient features of the pay structure of officers as it exists today bringing out the different patterns evolved and the range of variations for comparable jobs from one bank to another. The chapter is broadly divided into five sections, the first dealing with the general background; the second with pay scales; the third with dearness allowance; the fourth with recruitment and promotion policies and the last with external comparisons. Though all allowances and benefits are dealt with separately in Chapters 6 and 7 respectively, the patterns of dearness allowance followed in different banks have been described here as they form an integral part of the pay scales.

The background

3.2 We have seen in the second chapter what diversity is there in the organisation of the fourteen nationalised banks. As the pay structure is closely linked to the organisational structure, it was inevitable that each bank should have evolve its own pay structure. Further, the banks having been private enterprises and actuated by the profit motive, the capacity to pay of each bank scheduled its pay structure to a large extent. Consequently, the 14 nationalised banks have today somewhat different patterns of pay scales and the quantum of remuneration paid to officers doing equal work varies from one bank to another.

3.3 As far as the clerical cadre (generally referred to as the award staff) is concerned, there has been a considerable progress towards a uniform pay structure in recent years. This has been brought about through a number of awards of industrial tribunals and bipartite settlements. The first award at the national level was the Sastry Award and this was followed by the findings of the Jeejibhoy Labour Appellate Tribunal and the Awards of Justice Rajadhyaksha (succeeded by Justice Gajendragadkar) and Justice Desai. These awards were followed by two bipartite settlements — one in 1966 and the other in 1970. All these awards and bipartite settlements have classified banks into three categories according to the quantum of working funds. Though there are variations in the pay structures evolved for the three classes of banks, all the nationalised banks being in the 'A' Class have today a uniform pattern so far as the award staff is concerned. *

* The salient of features of this pay structure are summed up in Statement 29.

3.4 The diversified pattern of pay structure of officers in the fourteen nationalised banks has, however, remained intact, as only marginal adjustments which were consequential on the revisions of the pay scales of the award staff were made from time to time. It is this state of affairs which led the Banking Commission to recommend steps towards standardisation of the officers' pay structure. The Government has accordingly appointed the present Committee to go into the matter. The task entrusted to us is by no means easy, as there is little uniformity in the organisational structure of these banks and the range of variations in the prevalent pay scales among different banks is large. It is made doubly difficult by certain other constraints under which standardisation has to be effected. As indicated already, the pay structure of the award staff which is excluded from our purview is determined extraneously and is subject to revision from time to time through bilateral negotiations. But it has serious repercussions on the relativities between clerical salaries and officers' salaries. For example, the dearness allowance pattern adopted for the award staff makes inroads into the officers' remuneration at certain levels so that unless the same dearness allowance is allowed to officers at the junior grades, the clerical remuneration would tend to outpace that of the officers. At the rate at which the Consumer Price Index has been rising during the last one year, the total remuneration of senior clerks/special assistants threatens to get the better of the remuneration of some officers. The narrowing of the differentials between the clerical cadre doing routine duties and the officers shouldering onerous responsibilities is certainly not in the best interests of the industry.

Patterns of Grades and Pay Scales

3.5 All the fourteen nationalised banks have a system of graded pay scales but the grades do not always signify defined levels of responsibility. Thus, three banks have a system of a running scale of pay upto the executive level and it would be open in theory to post an officer at any point in the running scale to any position in the bank depending on the judgment of the management about his capacity to discharge the functions of that position. In practice, however, seniority does weigh heavily in postings to senior positions in the hierarchy though instances have been brought to our notice by Associations and officers where seniors are obliged to work under their juniors. The complaint of the officers in this regard is not so much about merit being rewarded as about the lack of a system for objective assessment of merit which is above suspicion. In one bank, however, functional promotion is the rule rather than an exception and there is a distinct differentiation between movements in salary grades and movements in the functional positions in the bank. For a private enterprise this gave the required flexibility to the management to pick the more meritorious to man responsible positions. The Officers' Associations in that

bank have expressed their profound dissatisfaction with this method of promotions. In the majority of banks there is a system of grades and scales of pay corresponding to differing levels of responsibility, but very often, what is described as a grade in a particular bank is tantamount to a scale of pay only and not necessarily a level of responsibility in the organisation.

3.6 The number of grades as existing in the fourteen nationalised banks excluding top executives is as follows :—

2 grades	—	Indian Bank
3 grades	—	Dena Bank
4 grades	—	Allahabad Bank/Indian Overseas Bank.
5 grades	—	United Commercial Bank/Canara Bank/ United Bank of India/Syndicate Bank/ Union Bank of India and Bank of Maharashtra.
6 grades	—	Central Bank of India/Bank of India/ Bank of Baroda.
7 grades	—	Punjab National Bank.

3.7 The grade structure* shows considerable variations from bank to bank. In Bank of Baroda the last two grades are Rs. 350-450 and Rs. 480-600 and next two grades are Rs. 640-800 and Rs. 850-1050. The scale-range that is covered by Bank of Baroda by four grades is more or less covered *by one grade* in nine banks, namely, Central Bank of India (345-1120), Bank of India (400-1000), Canara Bank (470-1170), Dena Bank (325-925), Syndicate Bank (350-1000), Union Bank of India (350-1000), Allahabad Bank (375-1050), Indian Bank (350-950) and Bank of Maharashtra (325-950). In four banks it is covered by two scales, *viz.*, Punjab National Bank (325-620) and (565-1130), United Commercial Bank (240-810) and (325-950), United Bank of India (305-925) and (460-1035) and Indian Overseas Bank (325-925) and (500-1100). It is noteworthy that the overwhelming majority of officers are in the last two grades**, the percentage varying from 66 per cent in Bank of Baroda to 99 per cent in Indian Bank; in ten banks it is more than 90 per cent.

3.8 Of the fourteen nationalised banks, three banks *viz.* Central Bank of India, Bank of India and Bank of Baroda have no overlapping scale; whereas in Central Bank of India and Bank of India the time span of the scales extend for pretty long periods. Thus, the lowest scale in Central Bank of India the scale of Rs. 345-1120, has a 20 years span. But in Bank of Baroda, each of the last four grades has very short time spans. All the other eleven banks have gradewise scales which overlap.

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* All the pay scales in the 14 nationalised banks are in Statement 1.

** In Punjab National Bank last but 2 grades have been taken into account as the last two grades are meant for specialists.

3.9 Within the system of grades and scales described above, the banks follow differing practices in categorising posts against grades. The identification of different levels of management is broadly similar but the grades do not strictly correspond to levels of management. Further, the designations and nomenclature of posts also vary even for comparable jobs in the organisations. The classification of branches for purposes of determining the status of managers also varies.

3.10 The differences in categorisation of jobs of similar responsibility and the variations in the grades may be illustrated by examining the position regarding top executives i.e. officers who exercise planning and policy-making functions or important operational functions (like decisions on big industrial advances) or review and control of the overall business of the bank. Generally these functions are exercised at the level of Deputy General Managers and above. The nomenclature of General Manager/Joint General Manager/Deputy General Manager is now commonly adopted in 13 nationalised banks but there are differences in the functions as well as responsibilities exercised by officers holding posts of the same designation. Thus, while all the banks, except one, have General Managers, one of them has three General Managers. The maximum of the pay of the General Managers ranges from Rs. 2500-5000. Again, twelve banks have Deputy General Managers. But the numbers of Deputy General Managers in the banks vary between one and six. The functions of the Deputy General Managers are not the same in all the banks. In one of the banks, the majority of the Deputy General Managers function at the apex of the Zonal organisation. The pay scales of Deputy General Managers show considerable variations, the scales ranging from Rs. 1500-2500 to Rs. 3500-4250. In two banks there is a Senior Deputy General Manager in addition to the Deputy General Managers. Further, one of the banks does not have Deputy General Managers, but only four Joint General Managers in the scale of Rs. 1500-2500/-.

3.11 All the banks except Punjab National Bank, Canara Bank, Syndicate Bank have Assistant General Managers, the number of posts varying between three and nine. Their pay scales range between Rs. 1350-2300 to 3150. The Assistant General Managers in some banks have only functional areas entrusted to them. In some other banks they are also in charge of a geographical area and function as Zonal Officers. The delegation of powers to sanction advances or incur expenditure is not uniform among the General Managers of all the banks as a class or even among the Deputy General Managers or Assistant General Managers. There has been a tendency to create or continue the posts of executives depending on the availability of senior management personnel of the required ability and not on the clear basis of the needs of the organisation. The responsibilities discharged by these officers or the

profiles of their functions are dissimilar and therefore categorising them in a grade structure merely on the basis of the existing designations will not be correct. The pay scales also are so divergent that these cannot be used as a guide for fitment of these officers into a standardised grade structure. There are similar differences observable in respect of the other levels of management also in the 14 banks which we do not propose to elaborate at this stage. But the category of specialist officers stands as a class by itself.

3.12 The following comprise the specialist officers found in the majority of banks :—

1. Chartered Accountants
2. Law Officers
3. Engineers/Technicians
4. Economists
5. Agricultural Officers
6. Small Scale Industries Officers
7. Management (Personnel)
8. Security Officers
9. Principal/Tutors of the Staff Training Colleges.

In some of the banks, there are, in addition, specialised posts like Statisticians, Agronomists, Industrial Relations Officers, Public Relations Officers, etc.

3.13 While specialised posts like Chartered Accountants and Law Officers were on the rolls of the banks for a very long time, Agricultural Officers, Small Scale Industries Officers, Management (Personnel) Officers, Statisticians, etc. have been recruited since nationalisation to meet the needs of the new developmental functions which have devolved on the banks. These recruitments were made on an *ad hoc* basis without having a clear picture of the career paths which should be chalked out for these officers. A few banks like the Canara Bank which had already some experience of agricultural work prior to nationalisation have now given a lead in integrating specialists with the general stream of officers performing line functions. Several banks have also devised measures to expose agricultural graduates to general banking work early in their career so that their specialisation is blended with general banking experience. While appointing agricultural field officers, some banks have laid down the condition that they will have to carry out all banking work entrusted to them. In practice, excepting in times of emergency the banks have not been utilising the services of these field officers for line functions.

3.14 There is considerable diversity in the positions assigned to specialist officers and their mode of recruitment in the different banks. For example, in Bank of Maharashtra Chartered Accoun-

tants, Agricultural Officers and Small Scale Industries Officers are inducted laterally from senior grade (Rs. 500-1350) onwards. Attempts are being made in the bank to integrate these specialists with the main stream. In Syndicate Bank, the recruitment of Farm Representatives, Small Scale Industries Technical Officers, Engineers, etc., is made through a separate channel, but training in general banking is given to them at the earliest opportunity. This bank has also taken steps to integrate the specialists with the general cadre. United Commercial Bank also takes into account the field of specialisation and the extent of experience of each candidate to place them in any of the bank's officers grades, viz. A-1, A. B, C or D. For all specialised posts, the bank has carefully laid down minimum qualifications and experience. In Bank of Baroda, specialists like Chartered Accountants are appointed in higher grades with the result that they reach the maximum within a few years. In Allahabad Bank direct recruitment in the officers' cadre is made only of persons in the specialised fields. In Punjab National Bank, the lowest two officer grades D and E are exclusively meant for specialists. For ensuring the career path of specialists, this bank has given the opportunity to specialists in D and E grades with a minimum of 5 years experience to get promotion to higher grades.

Patterns of Dearness Allowance

3.15 Payment of dearness allowance to compensate employees for a rise in the cost of living has now become universal in India. It is recognised as pay for all intents and purposes. The dearness allowance system prevalent in the 14 nationalised banks is detailed in Statement 10.4. As the large majority of officers in the nationalised banks are drawn from the clerical cadre, the banks have tended to base the dearness allowance of the junior officers also on the basis of the dearness allowance system applicable to clerks. A standardised system of dearness allowance for the clerical staff came into vogue according to the bipartite settlement of 1970. By this, the dearness allowance was linked to the Working Class Index (base 1960-100) with a rate of neutralisation of 75 per cent. The adjustments were to be made at the end of each quarter on the basis of the quarterly average of the Index rising or falling by 4 points. Thus, an increase of 4 points in the Index entitled the employees to get an increase of 3 per cent of basic pay as dearness allowance. This sliding scale of dearness allowance has led to a phenomenal increase in the quantum of the dearness allowance for the clerical staff during the last two years of mounting inflation. The index which stood at 176 on 1-1-1970 has risen to 260 by December 1973 and the quantum of dearness allowance of the clerical staff which was 57 per cent of the basic pay in 1970 has now risen to 117 per cent.

3.16 As the pay of the junior officers in these banks overlapped with that of the clerks at the level of Rs. 325/- to Rs. 650/-, it be-

came incumbent on the banks to give the officers the same dearness allowance as for the clerks in the overlapping salary ranges, but there are variations in the system adopted by different banks. Of the 14 nationalised banks, 12 banks have conceded 75 per cent neutralisation to the officers also upto the level of Rs. 600/650 basic pay, but there are some differences in the quantum of dearness allowance even among them. Whereas in 6 banks, the dearness allowance is identical with that for the award staff, in 4 banks, the quantum of dearness allowance is less by 6 per cent and in one bank by 7 per cent than that for clerical staff. The Canara Bank had absorbed part of the dearness allowance into pay earlier so that the quantum of dearness allowance in 1970 was only 38 per cent of the basic pay. In Indian Bank also it was 38 per cent in 1970 with only 50 per cent neutralisation for further increases in the Index.

3.17 The dearness allowance for senior officers drawing a basic pay above the maximum of the clerks is a tapering one until the level when dearness allowance ceases to be admissible. Further, most of the banks have fixed the maxima for the dearness allowance admissible to senior officers. But there are differences both in the pattern of tapering and the maxima fixed. For example, in Central Bank of India, the maximum dearness allowance is for the basic pay, Rs. 650, but in Bank of Maharashtra it is for Rs. 600/-, in Bank of India for Rs. 614/-, in Bank of Baroda for Rs. 640/- and in Dena Bank for Rs. 650/-. There is also a general condition imposed that any one increase in a quarter should not exceed Rs. 18 per mensem. The tapering of the dearness allowance at higher level may also be illustrated with reference to a few banks. In Central Bank, the maximum dearness allowance, pegged to the basic pay of Rs. 650/- came to about Rs. 375 on 1-1-1970. This amount was paid to all officers drawing a basic pay up to Rs. 1120/-. Above that level, a flat rate system is adopted slab-wise, Rs. 325/- (now changed to Rs. 725) up to a salary of Rs. 1650/- and Rs. 300 (now changed to Rs. 700) up to a salary of Rs. 2000/-. For those drawing a basic pay over Rs. 2000/- an adjustment allowance is given to bring the aggregate of basic pay and adjustment allowance to Rs. 2800/-. In Bank of India, the maximum is linked to the basic pay (Rs. 614) and that figure is admissible to all officers up to the basic pay of Rs. 2200/-. In Indian Bank, the minimum and maximum limits were fixed at Rs. 150/- and Rs. 300/- respectively on 1-1-1970.

3.18 The pattern of dearness allowance adopted by Punjab National Bank is somewhat unique. Here the dearness allowance was linked to the Middle Class Index with 50 per cent neutralisation. Some changes in the dearness allowance pattern have been recently made in some of the banks consequent on the rise in Index. The changes appear to be mainly in the form of raising of ceiling of dearness allowance payable at various levels to retain the differentials with award staff and officers' staff with pay up to the pegged levels.

3.19 When the dearness allowance scheme was formulated at the time of the 1970 wage revision, it was assumed that only a moderate change in the Index would occur during the next few years. The dearness allowance schemes adopted for officers did not, therefore, envisage the possibility of existing differentials in gross emoluments between the clerical cadre and officers on the one hand and between different grades among officers themselves on the other, being upset. But the rapid rise in the index especially during the last two years, has considerably narrowed and in some cases even obliterated these differentials. This has come about in two ways; (i) where a maximum limit on the quantum of dearness allowance payable to officers had been prescribed, this limit has been reached even in the case of the very junior officers, so that at higher stages of their scale they do not get any increase in the dearness allowance; (ii) in those cases where flat rates were fixed, the junior officers for whom dearness allowance was linked to Index draw substantially more dearness allowance than the officers in the higher scales thereby upsetting the original differentials in total emoluments. The result of these trends has been that the officers' associations have from time to time come up with demands for increasing the rates of dearness allowance or raising the ceiling fixed, as the case may be, and the managements were constrained to make piecemeal adjustments. The above facts point to the need for a rationalisation of the pay as well as the dearness allowance structure in the 14 nationalised banks.

Recruitment and promotions

3.20 There are substantial differences among these banks in respect of direct recruitment of officers. The number of posts that is reserved for direct recruitment varies between zero and 25 per cent. Except for direct recruitment of specialists, there is no direct recruitment of officers in United Bank of India, Central Bank of India and Allahabad Bank. In Punjab National Bank only 10 per cent of the total vacancies in the officers cadre are reserved for direct recruitment. Canara Bank comes next with 15 per cent of officers' posts being reserved for direct recruitment. In some banks, like Bank of Maharashtra, Union Bank of India and United Commercial Bank, 25 per cent of the vacancies in the officers grade is reserved for direct recruits. Some banks do not allow their existing employees to compete for appointment as direct recruits in the same bank but they may compete for the position of officers in other banks. In some other banks like the United Commercial Bank, clerks are not only not debarred from appearing for the test for direct recruitment of officers, but they are encouraged by giving age concession of two years for appearing for the test.

3.21 Although there is no system of direct recruitment of officers (other than specialists) in United Bank of India, the bank has evolved a special system to ensure the quality of its officers. In the first

instance, only graduates with high percentage of marks are recruited as clerks. Secondly, 50 per cent of the vacancies of officers are filled up by promotion of clerks with 8 years or more of service on the basis of written "eligibility test" and interview and 50 per cent from clerks with 5 years or more service to their credit on the basis of a written "competitive test" and interview. For purpose of eligibility period in both cases, weightage in service period is given for a graduate up to 2 years and for post-graduate 3 years and for CAIIB 1 year for each part of examination. In Bank of Maharashtra, 25 per cent of the posts filled up by promotion in the officers grade are on seniority basis, the selection being confined to clerks with creditable records of service. There is no written test but only an interview. The remaining 75 per cent of the vacancies are filled up by means of a qualifying written test designed to elicit their professional knowledge and then by an interview and evaluation of three years' reports. In Dena Bank, for promotion of clerks to officers' grade, no minimum period of service has been stipulated for being eligible to appear at the trade test which is followed by the interview. Seniority and qualifications are, however, given due weight for the purpose of final selection. In Canara Bank, 15 per cent of the vacancies in the officers' grade are filled by direct recruitment. The remaining 85 per cent are filled by promotion of clerks according to certain norms which have been arrived at by a settlement with the officers' associations and unions. The eligibility requirement for clerks are either 6 years service or 4 years service with CAIIB (2 parts) or 5 years service with CAIIB (Part I). The foregoing stipulations regarding eligibility apply equally to promotions of clerks to officers' grade in Indian Overseas Bank. However, direct recruitment is made to 20 per cent of the vacancies of officers in this bank. In Allahabad Bank 60 per cent of promotions of clerks are made solely by seniority and 40 per cent by written test and interview.

3.22 There is no uniform system in the banks for reckoning the seniority of clerks. In some banks it is done on a regional basis while in others it is on all India basis. In several banks the complaint is that there is either no regular seniority list or at any rate, the clerks are not informed about their position in that list.

3.23 There is also some variation in the pattern of promotion from one grade of officers to another. In Indian Overseas Bank, promotion from 'C' to 'B' grade requires 6 years service in the lower grade. In special cases, management has a right to reduce the period to 3 years. 30 per cent of the posts in 'B' grade are reserved for officers with 12 years service or more and promotion in this case by seniority is automatic. From 'B' to 'A' grade, a period of 4 years service is required for fulfilling the eligibility conditions and here merit-cum-seniority formula comes into play. In cases of outstanding merit, a minimum of 2 years service will make one eligible for promotion to 'A' grade. There is, however, the

stipulation that for this category only 10 per cent of the posts are reserved. From 'A' grade to selection grade, it will be purely on merit.

3.24 In Canara Bank, promotion from one officer grade to another is based on a satisfactory record of performance. Certain criteria have been laid down for assessing the performance. Promotion to the selection grade from officers in grade I is based solely on merit. In United Commercial Bank, a period of 5 years service has been stipulated for promotion from lower grade to higher grade of officers. This bank has devised elaborate norms for measuring performance both for purpose of promotion and for grant of grade increments. In Punjab National Bank, 35 per cent of the posts of junior officers are filled up through test and interview and 65 per cent are promoted on the basis of performance and suitability for higher promotion.

3.25 The Syndicate Bank has a system of functional promotions along-side of grade promotions. While grade promotions are made on the basis of seniority and performance appraisal, functional promotions are based on merit and suitability. Under the functional promotion system, a particular post may be filled by a senior grade officer or a junior grade officer. This results in a person who is senior in the grade actually working under a person who is junior in the grade.

External comparisons

3.26 The commercial banking units in the public sector comprise two groups, *viz.*, the 14 nationalised banks and the State Bank of India with its subsidiaries. In one respect the State Bank group has a special function, *viz.*, transacting Government business of both the Centre and the States. But the significance of this differentiation is bound to diminish over the years, as it is proposed to entrust Government business to the nationalised banks also and some steps have already been taken in this direction. The gradations in pay and the scales of pay of the State Bank of India are based on identification of four grades below the top management, *viz.*, supervisory grade, junior management grade, middle management grade and senior management grade. The grade structure is evolved on certain principles of selectivity. The following assumptions in regard to a bank employee's career appear to have influenced the structure :-

(i) Persons join the clerical ranks between the age of 20 and 24 years;

(ii) Promotions to the officer grade are made after about 6 to 8 years service in the clerical grade *i.e.*, between the ages of 26 and 32 years;

(iii) The normal age of superannuation is 58 years *i.e.* an officer promoted from the clerical ranks has a possible service span of more than 25 years; and

(iv) Direct recruits join between the ages of 20 and 24 years; their service span as an officer after the normal training period covers a period of over 30 years.

Career progression has been planned allowing for a 5 year time-span in each grade before reaching the top management. Thus, an officer promoted from the ranks would have about 25 years to work up to the top management position and therefore a structure with four grades would allow for his rising to top management position spending about 5 years in each grade.

3.27 The State Bank of India has a scheme of categorisation of branches to suit its pay gradation. The branches have been ranked according to their importance as judged by several criteria like deposits, advances, number of accounts and strength of staff. Applying the statistical technique of factor analysis, they are identifying the sanctioned strength of the supervisory staff as a factor which is a linear function of the variables representing all the criteria in such a way that it accounts for a bulk of the variation in the original variables. Thus, the strength of the supervisory staff itself has been used as a fair measure for the purpose of ranking of the branches.

3.28 A comparative picture of the pay scales of the officers of the State Bank of India, the Reserve Bank of India and other public sector undertakings is given in Statement 2. The broad relativity with States Bank of India, as regards the pay scales is readily observable and it is even more significant when the gross pay packet is considered *i.e.* when pay plus dearness allowance or pay plus dearness allowance and other allowances for comparable levels of responsibility between nationalised banks and State Bank of India are considered. This has been brought out in Statement 3.

3.29 The Reserve Bank of India and the other public sector undertakings are, however, not comparable in the same sense as the State Bank is with the nationalised banks. The Reserve Bank being the central banking authority occupies the unique position in that while it undertakes certain banking activities and earns profit therefrom, it also undertakes sovereign functions like the issue of currency, control of foreign exchange, inspection of other commercial banks, etc.* Quite apart from the nomenclature and designations, it is really difficult to relate the different levels of responsibility in the Reserve Bank with those of commercial banks. A comparison of the pay structure in the two is further

* Report of the Reserve Bank of India Officer Cadre Review Committee — paragraph 4.6.

complicated by the fact that the nationalised banks and the State Bank of India function as commercial banking units with the staff being entitled to certain functional allowances as well as bonus, the officers of the Reseve Bank of India are not eligible for such benefits.

3.30 The pattern of emoluments of the nationalised banks cannot strictly be compared with other public sector undertakings which discharge different functions. As regards pay scales, however, a broad comparison could be made with certain industries within the public sector of a somewhat similar type *viz.*, General Insurance and Life Insurance. But even here comparison will have to be very limited as the commercial banking service has only a very broad similarity with insurance service, and differs in certain essentials like the periodicity of the contact with the customer.

CHAPTER 4

PRINCIPLES GOVERNING THE PAY STRUCTURE

4.1 Our terms of reference require us "to enquire into and make recommendations on the principles what should govern the structure of pay scales of officers of nationalised banks". The general principles of pay determination have been dealt with from time to time by the three Central Pay Commissions. Their recommendations have influenced not merely the governmental pay structure, but also the wages and salary structure in the public as well as the private sector. Our task has been considerably lightened by the exhaustive discussion of this subject so recently undertaken by the Third Central Pay Commission, 1973.* Further, in the banking sector itself, the Reserve Bank of India Officer Cadre Review Committee, 1970-72 has gone into it at great length. Nevertheless, some of the recent developments in the Indian economy and the special features of commercial banking necessitate a review of the basic principles with special reference to the requirements of the banking structure.

The need for a national wage policy

4.2 There is today a vast and growing literature on the scientific principles of wage determination. Though these are based on models of pay structures obtaining in the developed countries of the world, they have established certain guiding principles which are equally applicable to developing countries, such as the relation between the wage structure and the size and functions of organisation, the linkage between wages and productivity, as also between money wages and movements in the cost of living Index, and above all, the importance of taking into account the state of the national economy in the determination of sectoral wages. This last aspect of wage policy has assumed great importance in the context of the economic crisis facing the Indian economy today. Some of the disquieting features of the present situation are the acute shortages of essential commodities, the galloping trends in the price level, and the world energy crisis which has already created severe transport bottlenecks and is threatening to jeopardise our balance of payments position. The competitive escalation of wages in the organised sector in the Seventies has led to a wage-price spiral and is fomenting a "cost-push inflation", following in the wake of the demand-pull pressures. Consequently, the need for a national wage policy comprising the organised sector has never been so great as it is at present.

4.3 The National Commission on Labour, 1969, which enquired into the question has emphasized the close interrelationship between

* Report of the Third Central Pay Commission, 1973 Government of India, Volume I, Pages 28-52.

wage policy and other elements of economic and social policy in a developing economy like ours. They have observed as follows :-

> "We believe that on an overall plane, issues concerning wage policy are inter-related with broad economic decisions on the one hand, and on the other with the goals set for social policy. Wage rates and differentials have a functional role in sustaining and developing the structure of society and thus merge with other elements of economic and social policy."**

In their view, though our wage policy should aim at a progressive increase in real wages, any sustained improvement cannot be brought about without increasing productivity. But an unhealthy feature of the recent rising trends in wages in the private sector as well as the public sector, has been that they have little connection with increases in productivity and are mostly governed by the bargaining strength of labour organisations. The escalation of wages by pressure tactics in some industries or units has been responsible for gross distortions in the wages and salary structure in the organised sector giving rise to competitive demands, and accelerating the inflationary pressures in the economy. Industries with a high capital content and relatively small labour force have a tendency to yield to union pressures to grant unreasonably high wages lest stoppage of work should lead to heavier losses. Undertakings especially in the public sector which have been incurring recurring losses have been forced to emulate profit making concerns in conceding high wages. On the principle of 'equal pay for equal work', the employees' demands have a semblance of justification, and the responsibility for losses in a concern is often attributed to the bad management, for which labour should not be penalised. There is also a trend in private sector undertakings to be generous in respect of emoluments to their staff because any saving on the wages bill is likely to be swallowed up by taxation and there is no motivation to resist pressures from employees. Thus, the wage and salary increases get divorced from productivity with damaging consequences on costs of production and our competitive position in world markets.

4.4 The Government of India has been alive, to these disturbing trends in the labour market and a Committee on Wage Policy was appointed in February 1973 to deal with wage problems in the organised sector of the economy, excluding the Government sector which was under the purview of the Third Central Pay Commission. This Committee has submitted an interim report wherein they have emphasised the need to adapt wage policies to the major objectives of planning and to evolve an appropriate national wage structure. An integral part of this structure should be the establish-

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** Report of the National Commission on Labour, Government of India, 1969 — page 227, para 15.24.

ment of wage differentials based on real differences in skill, functions and conditions of work instead of leaving them to be determined by the relative strength of workers and employers concerned.

4.5 It is gratifying to note that the Draft Fifth Five Year Plan emphasises the need "to build up over a period of time, a national wage policy." The Plan has adopted a pragmatic approach to the problem in recognising the necessity for a phased programme of action, taking into account the realities of the present situation.

Constraints in adopting a national approach

4.6 While we are fully impressed about the need for a national approach to wage determination in the present context, there are several constraints which make this difficult for this Committee.

4.7 Firstly, the employees in the banking sector constitute only about 1.8 per cent of the total number of employees in the organised sector. Of these, we are concerned only with the fourteen nationalised banks as the State Bank Group and the private sector banks are included from our purview. Among the banking employees themselves, the majority constitute the Award Staff so that the number of officers whose salary structure we are asked to determine comes only to 33,664 which is an insignificant fraction of the total number of employees in the public sector. We have thus to operate within given parameters both below and above that of the officers under our purview.

4.8 Secondly, as already pointed out in Chapter 3, the pay structure of the clerical and subordinate staff has been the subject matter of collective bargaining and awards of tribunals under the Industrial Disputes Act. There have been, of late, agreements drawn up on the basis of bilateral negotiations between the unions and the managements of 14 nationalised banks (the latter being represented through the Indian Banks' Association) on both pay and allowances of the award staff. The pay scales of the clerical cadre according to the present settlements (which are due for revision shortly) are already on the high side compared to those prevailing in other industries. These settlements have tended to set the floor for determining officers' salaries while the salary of the Chairman and Managing Director, as fixed by Government, acts as a ceiling for all practical purposes.

4.9 Thirdly, the salary structure now obtaining in the State Bank of India and the Reserve Bank of India for officers at comparable levels is higher than that obtaining in several of the nationalised banks as will be seen from the comparative tables in Statement 2. The demand for uniformity in remuneration for officers of equal arduousness or responsibility cannot be lightly brushed aside.

4.10 Finally, in the absence of a clear-cut policy formulation at the Government level in respect of a national wage structure and a co-ordinating agency for regulating wages at the national level, it would be difficult to disturb existing relativities in respect of one category alone.

4.11 Nevertheless, we are convinced that a national approach should be adopted in such matters as are possible. We fully endorse the following guidelines for wage fixation outlined in the Draft Fifth Plan :-

> "The reward structure of industrial employees in terms of wage and non-wage benefits must be related to performance records in industrial enterprises. In fixing wages, attempts should be made to narrow down non-functional wage disparities."

Requirements of a sound pay structure

4.12 We shall now pass on to consider some of the basic requirements of a sound pay structure and examine how far the present pay structure of the nationalised banks satisfies them. The U.N. Publication, Handbook of Civil Service Law and Practices, 1966, mentions three major requirements, *viz.* Inclusiveness, Comprehensibility and Adequacy. To these may be added two more, *viz.* Rationality and Career planning.

Inclusiveness

4.13 Inclusiveness demands that there should be an inherent balance in the structure in relation to the pay structures prevailing in other sectors of the economy. This is particularly important in respect of cognate sectors. The banking industry has now come under public ownership. There are several other industries also in the public sector. Besides these, there is a vast sector of the civil service directly under Government. It follows that the pay structure of the banks should not be out of step with that of the public sector undertakings or of Government. In actual practice, however, we find divergences between the pay structures in these three sectors under the Government itself. This is in a sense unavoidable because the functions and organisational structure of the Government differ greatly from those of industrial and commercial undertakings even when they are under public ownership. In Government, jobs, whether unifunctional or multifunctional, are structured in recognizable and defined hierarches. Organisational structures within the system are fairly uniform and the impact of a monolithic ownership on the pattern of compensation is quite considerable. In the years in which the pay scales were evolved, the scope for bilateral negotiation was strictly limited so that Government was the final arbiter even when high-powered Commissions were appointed and opportunities were afforded to

the unions or associations to represent their problems and points of view. Government service continues to be a career service with security of tenure, seniority promotions, pensionary benefits and the opportunities for the exercise of power and patronage. There is, in the system, a strong link between grades and jobs or posts. Though there has been considerable proliferation of functions of the Government the salient features of the pay structure have remained more or less intact. On the other hand, the banking industry is essentially a profit making industry and its organisational structure has been evolved over the years with a view to maximising profits. Employment in the past was based on the principle of 'hire and fire' and remuneration was closely linked with performance and productivity. With the growth of Unionism, however, bilateral negotiations or collective bargaining came to be substituted for the unilateral dispensation of managements in respect of remuneration for work. Moreover, banking is a service industry with contact points for transacting with its constituents. This is on the basis of a fiduciary relationship of banker and customer which is in some ways different from the transactions of the Government with the public. The banker's job involves direct dealings with the customer 'across the counter', and the responsibility for large monetary transactions. The performance called for on the part of bank officers is, therefore, different from that of regular government officers or managerial personnel in industrial undertakings. Considering the nature of the duties and responsibilities of these officers, their hours of work are not regulated by the clock, but by the time required to finish the day's job. The tempo of activity during working hours is also on the high side. All these factors have to be taken into account in establishing a broad similarity in the systems of remuneration in the two sectors.

Comprehensibility

4.14 Comprehensibility of the pay structure requires that the pattern of compensation should be such as to give an easy quick picture of gross emoluments on the basis of a pay scale or a few defined allowances with a clear linkage to pay or post. Multiplicity of grades, allowances and other monetary and non-monetary benefits cloud the issue and are not conducive to proper manpower development policies. It is, therefore, important that the pay scale should provide a true and comprehensive picture of the total remuneration given to the employee. In the present set up there is great diversity in the nature and content of the allowances and other concessions admissible to officers in different banks. This offends against the requirements of comprehensibility.

Adequacy

4.15 The test of adequacy has to be viewed from different angles. *Firstly*, the remuneration given to an employee must be adequate to attract the right type of persons with the attributes and quali-

fications considered essential for the job. For example, if the banking industry needs, say, graduates of the first division or Chartered Accountants, the pay structure must be such as to attract these categories. *Secondly*, it should be adequate to retain them in the industry. This is particularly important in industries like banking where a person has to be trained during the first few years of service and his productivity and value for the industry are enhanced as he gains more and more experience. In order to retain experienced personnel, it is not only necessary that the pay scales should be adequate, but it is also important that the pay structure should offer adequate opportunities for promotion and attractive retirement benefits which one can look forward to. *Thirdly*, pay scales should be so designed as to give adequate compensation for the exercise of responsibility. Officers entrusted with managerial, developmental, advisory or policy making functions play a crucial role in any industrial or commercial organisation and the profitability or otherwise of the concerns depend, in a large measure, on the quality of decisions that they take or the policy they formulate. Such people should have a sense of satisfaction about their emoluments to give of their best. *Fourthly*, the pay structure must be adequate to give sufficient incentives to acquire additional special qualifications which are wanted in the industry and also to motivate them to increased effort. A system of impartial assessment of merit with suitable rewards can alone be considered adequate to give the necessary motivation. *Lastly*, the emoluments structure should be adequate to ensure a reasonable standard of living.

Rationality

4.16 It is essential that a rational pay structure should relate as closely as possible emoluments with the functions and responsibilities of posts. Relativities between posts at different levels of responsibility should be reflected in reasonable wage differentials between them. The grading and categorisation of officers must be such as to facilitate the equation between posts and grades at different levels in the hierarchy.

In the banking industry, there is a clear differentiation of functions ard responsibilities between the subordinate or clerical staff (award staff) doing routine operational functions and the officer staff engaged in supervisory, developmental, policy making, managerial and administrative functions. There is also a clear demarcation between the pay structure of the award staff and that of the officers. But the differentiation of functions and responsibilities between officers at different levels is not always associated with differentiation in emoluments. While in the majority of nationalised banks the pay structure is such as to encompass at every grade of pay certain identifiable functions or posts or levels of responsibility, there are also banks with structure where pay

scales are personal and are somewhat divorced from the functions performed by the officers concerned.

Career Planning

4.17 Career Planning today has come to be recognised as an essential feature of any sound pay structure, especially in career services like banking. It is important that the young recruit is afforded ample opportunities of advancement, till the age of superannuation. This is greatly facilitated by a rational pay structure which takes into account distinct levels of work and responsibility. A programme of career development must be based on the discovery and development of talent and opportunities for the meritorious to reach the top levels by dint of sheer ability and efficiency. Another aspect of career planning would be manpower planning and planned deployment of available talent. Unfortunately, little attention has been paid to these aspects in the existing pay structure of the nationalised banks. Some attempts in this direction made by a few banks point to the need for making such innovations part of a system importing considerations of objectivity. Whereas in the field of traditional banking operations the new entrants can look forward to a career however stultified, the diversification of the functions of these banks after nationalisation to subserve the needs of economic development has brought into the cadre specialists like agricultural experts, economists, statisticians, engineers, management experts, etc., for whom no career path has been chalked out in most of the banks.

4.18 Career planning is important from the point of view both of the individual and of the institution. In the present set up of nationalised banks, we find that the progress of officers in the hierarchy is somewhat tardy due to the prevalence of long time-scales on the one hand and the absence of accelerated promotions for the meritorious even where the scales are broken and overlapping. The consequence has been that the young recruits tend to get frustrated after a time, as they cannot hope to reach the top levels during their official career. This is certainly not in the interests of nationalised banks, especially at this period of transition from traditional banking to developmental banking with all its challenging demands on the initiative and enterprise of the managerial cadre. From the point of view of the institutions, also there is today the problem of ageing management and succession gaps. For example, the average age of senior managers in one of the 'Big Five' banks is over 54 years, of middle managers 50, and junior managers 47. The innovatory and decision making powers of managers tend to lose their sharpness as they advance in age. As the nationalised banks have now to act as catalysts in the development process besides performing their traditional banking operations more efficiently, they need relatively younger men endowed with the qualities of leadership. The pay structure should ensure that bright

young men who choose a career in banking should be able to hold junior, middle and senior management positions between their early 30s and late 40s. However, any scheme of accelerated promotions will have to be based on a performance appraisal whose objectivity should be beyond question.

4.19 The pay structure can facilitate vertical progression by providing openings for the meritorious to rise to the top, but this is only one aspect of career planning. It is equally important that a well-worked out career path should expose the individual to diverse situations so as to progressively widen the range of his responsibilities, broaden the horizon of his knowledge and experience and sharpen the cutting edges of decision making. For this, it is necessary that there should be a horizontal mobility through a well-planned job rotation at each stage of his career, so that he could develop adequate capability to discharge the duties and responsibilities in different departments. Job rotation involves movement from one job to another at the same level, *e.g.* from Advances to Personnel, from Planning to Foreign Exchange, from urban to rural banking, etc. He should get both in-service training in diverse jobs and institutional training through a properly co-ordinated scheme of orientation courses at different stages in his career. The problem of succession gaps at the top level which is confronting several banks today can be got over in due course if only the banks will give more attention to manpower planning of which career planning forms an integral part. The prevalent practice of keeping the 'staff' officers working at the headquarters separate from 'line' officers in the operative units has considerably slowed down the career path of the former and led to much discontent in some banks.

4.20 The responsibility of an institution for its employees' career does not stop with the period of his service. It is equally important from the point of view of cultivating loyalty to the institution that the employees' needs after retirement are also looked after. Adequate retirement benefits to ensure a reasonable standard of living after superannuation give a person a sense of security which will make him identify his own interests with that of the institutions.

Principles of pay

4.21 We shall next consider some of the fundamental principles for the standardisation of pay scales of officers and indicate our approach to this question.

Capacity to pay

4.22 No wage fixation authority can normally afford to ignore the capacity to pay of an enterprise in determining the pay scales of its employees. The present pay structure of the nationalised banks has been evolved under a system of private enterprise. Conse-

quently, it has been strongly, influenced by the paying capacity of the individual banks. Banking being a service industry in which wage costs predominate, the impact of wages on profits has been a determining factor in devising the pay scales in each unit. As the size, resources and profitability of these banks differed, it was inevitable that the capacity to pay should vary and their pay scales also should diverge. All the tribunals which have been appointed to review the pay structure of the award staff in these banks have, therefore, gone into this question of capacity to pay and the impact of the wage structure on profitability. However, there has been a noticeable change in the pattern of wage fixation since nationalisation, because the service aspect has gained precedence over profitability. Bilateral negotiations and collective bargaining have resulted in the establishment of uniform pay scales for the award staff in all the fourteen nationalised banks, irrespective of the profitability or capacity to pay. But divergences in the salary scales of officers persist. Againt this background, the principle of capacity to pay loses much of its significance in the determination of pay scales of officers. Further, the officers' scales being set in a straight jacket between those of the award staff and that of the Chairman and Managing Director, both of which are extraneously determined, this Committee is left with little manoeuvrability in respect of these scales. It follows, therefore, that considerations of capacity to pay have very little relevance in the standardisation of pay scales of officers in the present context.

Equal pay for equal work

4.23 This is perhaps the most important principle especially from the point of view of standardisation. It has gained added significance after its unequivocal application to the salary structure of the award staff. When the clerks employed by the different nationalised banks receive the same remuneration for similar work irrespective of the size of the bank, its profitability or its geographical location, it does not stand to reason that officers discharging similar functions and responsibilities in different banks should get divergent salaries. But the proviso that functions and responsibilities should be similar is very important.

4.24 The identification of jobs at comparable levels in the different banks has become difficult partly because of differences in the organisational structure and partly also due to the adoption of a welter of designations for similar posts. Nevertheless, there is much force in the demand of the officers' associations that the pay structure should ensure equality of remuneration for equal work in all the 14 nationalised banks. Theoretically such as a pay structure for the officers can be devised only after a scientific job evaluation. This is a time-consuming process, which this Committee cannot undertake within the time-span allotted to it. We have, therefore, to adopt a pragmatic approach to the problem. Our task will be

to identify different levels of responsibility and relate the pay scales to them. We shall proceed more by a definition of functions and responsibilities rather than be guided by the present nomenclature of posts. The categorisation of different posts according to levels of responsibility and fitment of officers will have to be done by the banks themselves. We have, however, utilised our enquiries and the oral evidence of top managerial personnel, experienced bankers and the National Institue of Bank Management, etc., to get expert opinion on the factors to be taken into account in determining the level to which each post should belong. Though these factors can act as a guide for placing posts persons at different levels in the hierarchy for the purpose of standardisation, they are no substitute for scientific job evaluation which may have to be undertaken in due course.

Fair Comparison

4.25 The principle of fair comparison is only a logical extension of equal pay for equal work. While considering the latter, the focus of attention was on internal relativities, but their comparison relates to external comparisons. Thus, the application of the principle of equal pay for equal work in the present case has to be based on comparisons within the group of nationalised banks, while fair comparison demands equal pay for jobs in the nationalised banks with those obtaining for similar jobs, say, in the State Bank of India Group or the Reserve Bank of India or private sector or foreign banks operating in India.

4.26 Fair comparison as a principle of wage fixation has gained wide acceptance in the advanced countries. In Great Britain, for example, the Priestley Commission adopted "fair comparison with the current remuneration of outside staffs employed on broadly comparable work," as a guiding principle for determining civil service salaries. This has been re-affirmed by the Fulton Committee also, though their approach was different. In the USA, comparison between jobs in the Federal Government and those in trade and industry is a statutory requirement for the purpose of pay fixation. Conditions in India, however, are different from those in advanced countries. While wages and salaries are determined by bilateral negotiations in the industrial sector, civil service salaries are fixed on a different basis, on the recommendations of commissions of enquiry tempered by a joint consultative machinery. Even within the industrial sector, public sector enterprises work under certain constraints which set limits to the age and salary hikes they can afford to give, while in the private sector the escalation of wages is often a method of evading taxation which in effect is only robbing Peter to pay Paul. Therefore, both the Second and Third Central Pay Commissions, while conceding the equitableness of the principle of fair comparison, have counselled caution in applying it under Indian conditions.

4.27 The comparative statements of salaries given in Statement 2 clearly show the disparities in the pay structure of officers in the nationalised banks and that of the State Bank of India Group, Reserve Bank of India, and public sector undertakings generally. But certain precautions have to be taken in making such comparisons. Apart from the difficulty of establishing broad equalities in functions and responsibilities between jobs in these different sectors, most of the pay structures especially in the private sector, lack comprehensibility because there is both the seen and the unseen. Facilities and amenities provided in kind or on 'expense account' considerably enhance the welfare of employees in the private sector and even in some public sector undertakings. One has to probe deeply into the matter to establish valid comparisons between total emoluments at different levels within the Government sector, public sector and the private sector. The general level of salaries in the foreign sector is too high to be taken into account for the purpose of such comparisons. Further, any attempt to catch up with high salaries in other sectors can only lead to competitive wage escalation which is bound to fan the flames of inflation. Thus, fair comparison as a principle for adoption in wage fixation has severe limitations in the Indian context.

CHAPTER 5

STANDARDISATION OF PAY SCALES

5.1 We have been required to make recommendations on such changes in the existing pay structure as may be necessary to bring about standardisation of scales of pay. This Chapter deals with the guiding principles we have adopted for standardisation, the standardised grade structure and scales of pay and the procedure for fitment of officers in the new scales.

Guiding Principles

5.2 We have already discussed in Chapter 4 the requirements of and the principles that should govern a standardised pay structure for the nationalised banks. The main points made may be recapitulated as a preface to the exercise in standardisation.

(i) The present pay structure at each bank follows closely its own organisational structure with a diversity of designations for jobs which substantially the same. We shall therefore base the standardised pay scales on an identification of similar functions and responsibilities in different banks at different levels on the basis of a broad pattern of organisation which is now emerging after nationalisation.

(ii) As the officer cadre in banks consists of different categories ranging from those who do routine work at the base to the top management personnel making policy decisions of great consequence, with a wide range of intermediary categories, technical and professional, discharging varied kinds of duties and responsibilities, the emoluments of officers have to be related to the value attached to each of them. This can be done scientifically only by the application of modern techniques of job evaluation which are conspicuous by their absence in the banking industry in India today. We shall, therefore, content ourselves with laying down some guidelines for demarcating levels of responsibilities, leaving the categorisation of posts and fitment of officers to be done by the banks themselves.

(iii) As employment in the banking industry is a career service as in the case of Government, the pay structure has not only to provide for adequate compensation for work done, but has also to ensure an attractive career path to its employees in order to attract and retain the right type of personnel to do the jobs. The scales of pay will, therefore, have to provide opportunities to the meritorious for accelerated promotions to top positions.

(iv) The pay structure should be made simple and easily comprehensible, avoiding a multiplicity of grades and allowances.

The differences in grades should reflect differences in levels of responsibility and there should be a clear-cut differentiation between the pay scales of the officer cadre and that of the clerical staff.

(v) We think that equal pay for equal work should be a guiding principle in the banking industry. As this would militate against any differentiation in pay scales between banks according to their size or resources, we have opted for the principles of uniform pay scales for all banks irrespective of their financial position or organisational structure. Differences in the size or spread of banks will be reflected in the number of levels obtaining in the way structure or in the number of officers at each level, but it would not justify different pay scales for jobs carrying the same level of duties and responsibilities. A uniform pay structure would also facilitate transferability of officers from one bank to another.

(vi) We deem it necessary to attach salary scales appropriate to the nature of the duties and responsibilities of each category of post and dispense with the practice of rewarding the officers by extra allowances for holding certain posts which is prevalent in some banks. The managers of bigger branches, for example, instead of being rewarded by an extra allowance should be chosen from the officers in higher scales of pay appropriate to that post.

(vii) In view of the importance of a national approach to wage problems, we consider it necessary to make the pay structure in nationalised banks broadly similar to that obtaining in the State Bank Group, in the Central Government, and in public sector undertakings. However, we realise that there are serious limitations to this objective, because of the diversity of levels of remuneration obtaining in different sectors today and the need to take into account the special features of nationalised banking in India and the quality of performance demanded of the bank officers.

The Grade Structure

5.3 The differences in organisational structures and in nomenclatures of positions, the absence of categorisation of posts or a uniform basis of classification of branches, etc. to which we have already drawn attention, impose certain limitations on a standardisation exercise, in the present set-up. A standardised pay structure which would fit each constituent bank like a glove will not be possible until there is greater uniformity in the organisational structures, delegation of powers and management policies. Nevertheless, we feel that the pay structure can be standardised while making allowances for variations in organisational patterns. The posts and officers in the different organisations could be evaluated *as they are* and not *as they should be* and their positions in the standardised pay structure could be determined on the basis of certain recognised factors which we shall expound later on.

5.4 The pay structure has to be tailored not only to the individual's needs but also to the needs of the organisation. Thus, while it has to provide avenues for career advancement to the officers, it has also to provide a sufficient number of grades and scales to accommodate different types of officers needed by the banking system as well as different levels of responsibility attaching to the functions to be performed. These objectives will be better served by a multiple grade structure rather than a unified grading system. But the grade structure has to be based on recognised and valid differences in levels of responsibility. A careful study of the present grade structure has led us to the conclusion that four broad levels of responsibility in the officer cadre can be identified in the nationalised banks. Our discussions with experienced bankers, and the National Institute of Bank Management have reinforced this conclusion. These levels are as follows:

(a) Top Management or executive level — This is the policy making level for the institution as a whole. There would be total corporate responsibility at this level for policy-making, review and control;

(b) Senior Management level — At this level there would be total responsibility for an entire functional area in the bank, *e.g.*, advances or personnel as also for a geographical area covering all functions, *e.g.*, officers in charge of Zones;

(c) Middle Management level — Managers of bigger offices and officers giving key support to the top or senior management would be in this level. This would be a tier for ensuring smooth career progression from an operational job to semi-policy making areas;

(d) Junior Management level — The bulk of the operational tasks of a supervisory nature would devolve on officers at this level. It would also comprise managers of smaller offices, accountants or second line officers in branches and other offices of the bank. As this includes officers newly inducted, the large majority of officers in the nationalised banks are working at this level.

5.5 We feel that there should be a standardised grade structure corresponding to these levels of responsibilities in all the fourteen nationalised banks. We recommend the following framework of a grade structure with one or more scales attaching to each grade.

Grades	*Scales*
1) Top Executive	VII VI
2) Senior Management	V IV
3) Middle Management	III II
4) Junior Management	I

Pay Structure

5.6 We shall now proceed to determine the standardised pay scales within the aforesaid grade structure. As we are specifically required to take into account the salary of the Chairman and Managing Director as determined by the Government in considering pay scales of the officer cadre, the implication in a hierarchical structure is obvious, *viz.*, that it has to be treated as the ceiling. The fact that the salary of the Chairman and Managing Director is at present in the range of Rs. 3500/- to 4000/- therefore imposes a constraint that the maximum of the officer cadre cannot exceed Rs. 3500/-.

5.7 The first question is what should be the minimum pay of an officer at the entry in level a standardised pay structure. The minimum salary at present generally stands beyond the mid-point of the scale of pay of the award staff so as to ensure an increase in basic pay on promotion. But it varies from one bank to another due largely to the diversity in recruitment standards and policies on the one hand, and the absorption of varying proportions of the D.A. into the basic pay by different banks at the time of earlier pay revisions. But the basic salary is by no means a sure indication of the relative position of officers at the lowest level, as the pattern and quantum of allowances vary considerably. Statement 3 gives the comparative position of the 14 nationalised banks in respect of (1) basic pay, (2) basic pay plus D.A. and (3) basic pay plus D.A. and other regular allowances as on January 1, 1974. The minimum basic pay of the junior officers range from Rs. 305 to Rs. 700/-. Taking the basic pay plus D.A. it ranges from Rs. 602/- to Rs. 1013/-. In Area I where both the city compensatory allowance and the house rent allowance are admissible the range of total emoluments including these two allowances is from Rs. 669/- to Rs. 1223/-. In the State Bank of India, the minimum basic pay plus D.A. comes at Rs. 875/- while with city compensatory allowance and house rent allowance added, it works out to Rs. 1050/-.

5.8 The basic pay is an important determinant of the relative status of employees at different levels. Even as it is, though the clerical staff may, in certain cases, be drawing, emoluments including overtime allowance to the tune of Rs. 1900/-, their basic pay which is in the scale of Rs. 170/- to Rs. 550/- forms an index of their status *vis-a-vis* the officers. Therefore, it is important that the basic minimum for an officer should be fixed at such a level as to bring out the relativity in status and responsibilities between the officers and the clerks. Further, as D.A., provident fund and regular allowances like the city compensatory allowance, house rent allowance, etc. are generally related to the basic pay, the level at which the minimum of the basic pay is determined is a matter of importance for the officer cadre. At the same time, the financial implications of any rise in basic pay are far reaching and, therefore,

its incidence has to be carefully taken into account. Above all, banking being a leading industry in the country the principle of fair comparison has great relevance in the determination of the minimum salary of a bank officer.

5.9 In the Central Government the minimum basic pay of all Class I officers has been fixed at Rs. 700/- at the annual average index level of 200 in the Consumer Price Index (1960=100) as per the recommendations of the Third Pay Commission. Our assessment of the functions and responsibilities of bank officers in the new set up is that they are comparable to those of Class I officers in government. Taking the public sector undertakings too, we find that the minimum pay for comparable categories in the Life Insurance Corporation of India is Rs. 770/- while it is 700/- in the State Trading Corporation of India, the Minerals and Metals Trading Corporation of India and the Food Corporation of India. For officers of the General Insurance Corporation also, the minimum recommended by the Mathrani Committee is Rs. 700/-. In the State Bank of India though the minimum salary is Rs. 500/- only, pay plus D.A. comes to Rs. 875/-. In the Reserve Bank of India, there are two grades at the entry level — one starting with Rs. 560/- and another Rs. 650/-. Together with the D.A. and other regular allowances, the total emoluments work out to Rs. 1041/- for Grade A and Rs. 1145/- for Grade B (transferable category).

5.10 Another consideration which is relevant in this connection is that a certain percentage of the vacancies of officers in the nationalised banks are proposed to be filled up directly through a competitive examination. In order to attract talent into the banking industry, the Banking Commission has recommended a minimum of 55% marks for graduates to become eligible to compete for the examination. Obviously, the intention is to attract the best talent in the country. If this objective is to be achieved, the pay of bank officers at the entry level should not be anything less than that obtaining in class I services and public sector industries.

5.11 The All India Confederation of Bank Officers' Organisations* has proposed a junior scale starting with Rs. 550/- per mensem. But this is based on the index number of 100 in the Working Class Consumer Price Index (1960=100). The All India Bank Employees Association too has proposed starting emoluments of Rs. 850/- (basic pay + D.A.) as on December 1973 based on 100 in the same index. But we have chosen to base the standardised scales on the average of 200 in this Index. Taking all relevant factors into consideration, we have come to the conclusion that the minimum basic pay of officers in the nationalised banks should be fixed at Rs. 700/-.

* Hereinafter referred to as 'the Confederation'.

5.12 The Confederation has suggested a running scale of Rs. 550/- to Rs. 3000/- without any efficiency bar. The Punjab National Bank Officers' Association, the Syndicate Bank Officers' Associations and the All India Bank Officers' Association have also favoured running scales in their memoranda. The attraction of a running scale appears to be that it given an assured career path, however slow, to all officers regardless of merit. But we do not favour the system of long running scales, as it gives no incentive to officers to work hard and is therefore, not in the interests of the industry. It would also tend to kill the initiative and enterprise of the bright young officers who should be encouraged to give of their best. While we share the anxiety of the general run of officers about their career path, we feel that the pay structure should also open up avenues for accelerated promotions to the really deserving. We have, therefore, attempted a judicious combination of scales which will cater to the needs of all officers.

5.13 We recommend the following standardised pay scales/within the grade structure outlined earlier.—

Grades		*Scales*
Top Executive	VII	Rs. 3000-125-3500
	VI	Rs. 2750-125-3250
Senior Management	V	Rs. 2500-100-2700
	IV	Rs. 2000-100-2400
Middle Management	III	Rs. 1800-75-2250
	II	Rs. 1200-70-1550-75-2000
Junior Management	I	Rs. 700-700-40-900-50-1100-EB-1200-60-1800

N. B. These scales are linked to the quarterly average of 200 in the All India Working Class Consumer Price Index (base 1960=100).

5.14 We have recommended a single long scale at the base to take care of the career path of those officers who fail to get promotions in the hierarchy. Their family needs increase with advancing age and the organisation should sustain their motivation by giving them periodical increments, which will be possible only with a long time span for this scale. We are also making provision for seniority promotions which will ensure a satisfactory career progression for the general run of officers up to the senior management grade. However, the pay structure has to provide opportunities for quicker progression in their career to the meritorious. This will give the

incentive and motivation for better performance to the officers and at the same time help the organisation to exercise a degree of selectivity in filling up posts carrying higher responsibilities. A system of overlapping time scales has inbuilt incentives and is conducive to advancement of the officers. It also benefits the organisation by providing suitable scales which can be related to different levels of responsibility. The time-span for all scales above the base is reduced as it is envisaged that officers with a good record of performance will have opportunities of promotion to the next higher levels. At the stage of middle management, two scales of pay are provided to allow for differentiation in the responsibilities exercised in different banks within this level of management. Two scales of pay are provided at the next grade of senior management also on similar considerations. Above this, we have the top executive grade. At this stage the emphasis should be not so much on relativities in pay as on the status and authority attaching to the positions at the executive level. Nevertheless, taking into account the existing disparities in pay scales at this level, we have provided two overlapping scales into which the top executives can be suitably fitted. Thus our standardised pay structure is intended to provide the framework for a system in which merit will get due weightage in promotions and there will be well chalked-out career paths for officers of varying abilities.

Career Path

5.15 (*a*) *Entry and Training:* According to the scheme envisaged by the Banking Commission, officers entering the junior management grade will consist of two streams, *viz.*, the direct recruits and the promotees from the clerical staff. So far as the direct recruits are concerned, the requirements regarding qualifications and attainments will be standardised when the recruitment is centralised under the auspices of the proposed National Banking Service Commission. The bulk of the officers entering this grade are promotees from the clerical cadre, and the norms for promotion in each bank are settled by bilateral negotiations with the workmen's unions so that the standards for promotion differ from one bank to another. It would be desirable to set uniform standards for promotion to the officers' grade in respect of qualifications, experience and promotion tests, so that the quality of the promoted officers may be broadly comparable with that of the direct recuits.

***5.16** Our enquiries have shown that the training imparted to officers at the entry point, especially the promotees, demands more attention. In several banks clerks are posted to duties as officers as soon as they are promoted without any preliminary training. Though they are already familiar with the working of the bank, many of them would have had no opportunity for acquainting

* See modification (covering para 5.16, suggested by the Group of Bankers), on next page

themselves with the procedures in all sections of bank activity. Further, as officers, they are called upon to deal with the clients and staff, take responsible decisions and participate in the developmental activities which are being promoted by the banks. These are functions which require intensive training and orientation. We are glad to note that the Committee of Direction for Training Programmes has already suggested that all banks should conduct training courses for these officers. We wish to emphasize the need for intensive induction courses and recommend that all promoted officers should be required to undergo institutional training along with the direct recruits for not less than six months.

Training on Promotion[1]

While the recommendation that a promotee officer should be on probation for one year and should undergo institutional training before he is confirmed is acceptable, it is felt that the minimum period of six months for institutional training suggested in the recommendation, need not be insisted. In many banks, institutional training for officer-promotees is of a shorter period and has been found to be adequate. To make such institutional training compulsory for a minimum period of six months, would not only require devising new programmes for a longer period but also involve creation of additional training facilities without which, banks may not be able to cope with the new demands.

5.17 The directly recruited officers will be drawn from diverse disciplines and they have to assimilate the procedures and practices in the banks and equip themselves to shoulder the responsibilities which have devolved on the bank manager especially in the context of development. We, therefore, consider that a period of two years' probation is necessary to groom them for this role. Of this, the first year can be treated as the training period in which they may be imparted both institutional and in-service training. As the banks are expanding in vast unbanked areas, knowledge of a language of the area to which an officer is posted is essential for the proper discharge of his functions. It is quite possible that the list of successful candidates in a competitive examination may not contain a sufficient number with the necessary language background to answer the needs of the banks. We would suggest that each candidate allotted to a bank should be required to learn one Indian language, whch is not his mother tongue; the particular language to be learned being determined by the bank concerned according to its needs.

5.18 It is highly desirable to have a uniform policy in all the nationalised banks with regard to the requirements for and procedure

[1] Modification suggested by the Group of Bankers.

of confirmation on completion of probation. The following requirements are suggested:

(i) A certificate of satisfactory completion of training from the Principal of the Training College to which the probationer is attached;

(ii) Satisfactory completion of in-service training as adjudged on the basis of confidential reports by officers under whom he worked; and

(iii) A pass in the language test.

Those who fail to satisfy any or all of the above requirements should be required to undergo an additional year of probation. Probationers will not be entitled to any allowance during the first year but in the second year they will be eligible to draw D.A., city compensatory allowance, and house rent allowance depending on the place to which they are posted. They will be entitled to the first increment in the scale only on confirmation.

5.19 The directly recruited probationary officers should be deemed to be officers of the bank for all intents and purposes, from the date of their appointment. *Inter se* seniority of a batch of direct recruits allotted to a bank on the results of any particular competitive examination should be determined by the rank obtained by them in that examination. In the case of an officer whose probation is extended by one year, he should, on confirmation, take his seniority just below the officers of the same batch who completed the probation in two years.

5.20 Promoted officers will also be on probation for one year, but they will be entitled to draw their first increment in the scale at the end of the first year itself on confirmation.

***5.21** (*b*) *Accelerated promotions*—Officers in the Junior Management grade will be eligible for merit promotion to scale II in the Middle Management grade on the fulfilment of any one of the following conditions:—

(i) 7 years of satisfactory service and a pass in both parts of the C.A.I.I.B. Examination.

(ii) 10 years of satisfactory service and a pass in part I of the C.A.I.I.B. Examination.

(iii) 12 years of satisfactory service.

Those who have put in 5 years of satisfactory service in scale II should be considered for promotion to scale III in the same grade. Those who have completed 10 years of satisfactory service

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* See modification (covering paras 5.21 to 5.26) suggested by the Group of Bankers, on pages 52-53.

in the Middle Management grade (scale II/III) will be eligible for promotion to the Senior Management grade. Movement from scale IV to Scale V will be conditioned by the availability of posts in the higher scale and the occurrence of vacancies therein. Promotion from the senior management grade to the top executive grade should be by a process of selection from those officers who have put in not less than five years of satisfactory service in the senior management grade (scales IV/V). While all posts in the top executive level will be selection posts, we would suggest that not less than 25% of the vacancies occurring in the middle and senior management positions in each bank should be thrown open for merit promotions.

***5.22** While promotion from one scale to a higher scale in the same grade will be exclusively the function of the managements concerned, promotions from one grade to the higher grade should be on the advice of a Promotion Committee constituted by the bank concerned with which a member of the National Banking Service Commission should be associated. For all selections to the top executive positions, we would suggest that the Chairman of the National Banking Service Commission should preside over the Selection Committee.

***5.23** It would be desirable to lay down norms and procedures for selection of officers for accelerated promotions at different levels. The criteria for selection will have to be adapted to the functions and responsibilities which a promoted officer is called upon to discharge at the higher levels. For example, for promotions to the Middle Management level the experience of the officer in all first line supervisory jobs and his record of performance therein would be more relevant considerations. But, for promotions to the senior management grade, the performance appraisal will have to check on the officers' management skills especially in managing people and business, and potential to take up higher level management responsibilities. The task of laying down such norms and procedures in this regard may be left to the proposed National Banking Service Commission.

***5.24** We have recommended that the C.A.I.I.B. should be given weightage in promotion to the middle management grade because it is the only professional banking examination in India. This qualification is expected to give him not only the required knowledge of the laws and practice of banking but also a theoretical background of the working of the national economy in which the banks function. During the course of our evidence, it was contended that the conduct of this examination by the Indian Institute of Bankers leaves much to be desired and the syllabus requires thorough overhauling to meet the needs of development banking. The British Institute of Bankers had recently appointed the Wilde

* See modification suggested by the Group of Bankers, on next page.

Committee to consider the Institute's future role as a qualifying association and suggest suitable revisions of the C.A.I.B. (UK) syllabus and examination. The Committee's report is being implemented. It is high time that a similar inquiry is made by the Indian Institute of Bankers also. We, therefore, recommend that an Expert Committee may be appointed to revise the syllabus of the CAIIB and steps should be taken to conduct this examination in a manner which is above reproach.

***5.25** (*c*) *Seniority Promotions:* While accelerated promotions are intended to reward the meritorious and enable people with exceptional capacities to reach top positions at the prime of their lives, the pay structure has to ensure a reasonable career path for the general run of officers. In other words, it has to provide openings for officers of average ability to rise in their official career. Promotions on the basis of seniority, subject to crossing efficiency bars, if any, and absence of adverse reports on conduct or performance are intended to achieve this objective. The junior scale (no. I) is a 21 year scale for the direct recruit, but it may be much less for promoted officers who are fixed at higher stages in the scale in view of the emoluments they are in receipt of at the time of promotion. An officer who reaches the maximum of Scale I will be eligible for promotion on the basis of seniority to Scale III and on reaching the maximum of Scale III he can expect promotion to Scale IV and ultimately to Scale V — purely on the basis of seniority. One who gets promoted to Scale II before reaching the maximum of scale I and reaches the maximum of scale II will be eligible for promotion to Scale IV and to Scale V. These avenues of promotion will, it is hoped, provide reasonable career prospects for the officers.

***5.26** It is important that all banks should have a seniority list of officers which should be published from time to time. We find that in several banks there is either no such list or the list is not published and officers are in the dark about their seniority position. A few banks follow a system of seniority on a regional basis. As the 14 nationalised banks are today all-India institutions, all officers are expected to have an all-India transfer liability. We recommend that their seniority should also be determined on an all-India basis. The National Banking Service Commission may lay down standardised rules for determining seniority.

Basis for Promotions [2]

While the years of service mentioned for promotion to higher grade could be accepted as a minimum requirement for promotion, the Group is of the view that the seniority rule cannot be accepted for promotion to middle management and senior management grades. In the

* 2 Modification suggested by the Group of Bankers.

banking industry, the executive pyramid is wide-based and fairly narrow at the top. This would imply that the promotion channel for the top posts in senior positions in banking industry has to be highly selective and only merit should be criterion for promotion particularly, to the senior management levels. It is with this view in mind, the Pillai Committee itself has recommended a long scale of Rs. 700-1800 for the junior management grade. While the meritorious can move up to the higher cadres, those who cannot make the grade, can still go upto Rs. 1800. While merit should be the criterion for promotions, it was desired that objective procedures should be devised by the management for selection to higher grades, so that there should be no feeling that special favours are being shown to individual officers on grounds other than merit. In this connection, the importance of maintaining detailed assessment records and creation of Standing Promotion Committees are some of the essential requirements. The recommendation of the Pillai Committee that the Banking Service Commission should be associated with these promotions, particularly at senior levels, has also been noted.

Specialised Officers

5.27 A number of specialised officers had submitted memoranda to us pointing out the handicaps under which they are now working and seeking redress. Many of them had also appeared before the Committee to give moral evidence. The majority of them were Master's Degree holders in their specialities with high academic distinction. Though they have been recruited as officers, they are in a blind alley, with little prospect of promotion. They remain specialists while officers in the main line or even clerks recruited in the same year get promoted. There is at present a sense of frustration among these officers, which, if allowed to continue, will adversely affect their earnestness and efficiency.

5.28 We have, therefore, posed this problem before the managements of all the 14 nationalised banks during our discussions with them. We are glad to find that there is a general consensus that barring Law Officers who form a special category, the career paths of these officers should be integrated with the main stream. Most managements had given little thought to the future of these officers while some had already taken steps to initiate them into general banking business so that they can be appointed as managers especially of rural branches. Instances are also not wanting where the officers in the general line view the specialists as intruders and resist their being given in-service training in general banking business. Managements generally hold the view that Chartered Accountants, Agricultural Graduates, Engineers, etc. have, apart from showing their utility for the developmental functions now allotted to them,

have also shown their capability to be moulded into good officers to handle general banking business as well. While in the initial stages they had to be recruited in large numbers as specialists, a stage will soon be reached when the needs of specialised work for which they have been specifically recruited can be met by throwing direct recruitment open to all graduates including these specialist disciplines. In the present context of expansion into rural areas, most banks are faced with the problem of general line officers showing great reluctance to take up duties in rural branches. Agricultural graduates on the other hand, by their background and training, generally feel quite at home in the villages and should be able to establish good rapport with the villagers. They may be particularly suitable to take charge of rural branches given the necessary training in the general banking business.

5.29 Taking the above factors into consideration, we recommend as follows:—

(i) Early steps should be taken to integrate the existing specialised officers with the general banking line. All specialised officers should be placed in Scale I.

(ii) Training courses should be instituted to give them training in general banking operations and opportunities should be afforded to give them in-service training in the banks to which they are allotted.

(iii) The specialised officers already recruited should be given equal opportunities for promotion with general line officers of comparable service and seniority, subject, of course, to their suitability as adjudged by an objective system of assessment.

(iv) It is possible that recruitment of specialised officers may have to be continued for some time more. In such cases the entry scales of pay should not be less than that we have recommended for the junior officers. But in course of time the needs for specialised work should be met from the directly recruited or promoted officers with the necessary specialised background. A provision in the recruitment rules throwing open direct recruitment to graduates of all disciplines will facilitate this process.

(v) In the case of Chartered Accountants and Economists with several years of experience, who have been entertained in the service at higher levels as specialists, they may be either integrated with the general line or provided with adequate promotion opportunities on a par with the general officers of the same seniority while remaining in their specialised functional areas.

(vi) In the case of Law Officers, it may be necessary for some banks to recruit lawyers with considerable experience at the Bar. In such cases, they may be allowed lateral entry into higher grades and provided scales of pay for promotion in their own line comparable to those in the general line.

Categorisation of positions in the banks

5.30 The various positions of officers in a bank have to be evaluated on the basis of the type of responsibilities and functions exercised and categorised as falling within any one of these grades. The categorisation of positions in the organisation below the senior management level should be done by the management of each bank. For the categorisation of the posts in the senior management and top executive grades we recommend that Government may appoint an *ad hoc* Committee with which will be associated at the time of categorisation in a particular bank the Managing Director of the bank concerned.

5.31 We would also suggest the following guidelines for each categorisation:

(i) The Top Executive grade would normally include all executives under the Managing Director such as General Manager, Joint General Managers, Deputy General Managers, etc. The main criterion for this categorisation will be their share in the policy making, review and control functions of the bank as a whole.

(ii) The Senior Management grade would include Assistant General Managers and heads of functional departments in the Head Office exercising either operational or advisory responsibility in both policy making and areas reserved for Head Office functions. Officers having full functional responsibilities for certain large geographical areas with supervision over a sizeable portion of the total number of branches of the bank, managers of exceptionally large metropolitan branches and the principal officer responsible for training would also be at this level.

(iii) The Middle Management grade would include the managers (or agents) of full-fledged branches of large and medium size. Second line officers in large branches as well as regional/area/divisional/district and like officers will also fall in this category.

(iv) The Junior Management grade would comprise of all other officers. Thus, it would include managers of

smaller and rural branches and pay officers, accountants or second line officers in small and medium branches and other offices, and newly inducted officers both general and technical/specialised, either by direct recruitment or promotion. Specialised/Technical officers who have been recruited in the D or E grades in Punjab National Bank would all fall into the junior management grade. The small intermediate category of promoted officers to the E grade in United Commercial Bank would need special scrutiny, as it includes such functionaries as telephone operators, chief cashiers, caretakers, etc. Also relevant is the case of Receptionists in the Bank of India who are governed by a separate scale. But according to our definition of the junior management level only those with supervisory functions could strictly come into the junior management grade; the others may be allowed to retain their present emoluments on a personal basis or promoted to junior management positions on the basis of their suitability.

(v) In the case of Experts/Specialists like Economists, Statisticians, Law Officers, etc., a standardisation of the posts will not be possible as the role of these specialists vary from bank to bank and the grades of these officers will have to be determined on the basis of their experience, expertise and standing in their respective professions. The *ad hoc* Committee may evaluate the existing incumbents in each bank and place them in appropriate grades.

(vi) Regarding the classification of branches for the purpose of categorisation of managers, the following norms are suggested:

Small Branches (or rural branches/pay offices)

1. Deposits plus advances below Rs. 60 lakhs

or

Deposits below Rs. 50 lakhs

or

Advances below Rs. 30 lakhs,

and

2. Number of employees 10 or below.

Medium Branches

1. Deposits plus advances between Rs. 60 lakhs and Rs. 250 lakhs, both inclusive

or

Deposits between Rs. 50 lakhs and Rs. 200 lakhs, both inclusive

or

Advances between Rs. 30 lakhs and Rs. 150 lakhs, both inclusive,

and

2. Number of employees 50 or below.

Large Branches

1. Deposits plus advances over Rs. 250 lakhs

or

Deposits over Rs. 200 lakhs

or

Advances over Rs. 150 lakhs,

and

2. Number of employees above 50.

Exceptionally large Metropolitan Branches

1. Deposits and advances over Rs. 10 crores

or

Deposits over Rs. 7 crores

or

Advances over Rs. 5 crores

5.32 The exercise in categorisation of posts is comparatively simple, considering the small number of posts involved. On a rough estimate, about 90 per cent of the total number of 33664 officers fall into the Junior Management level and they can be fitted according to the formula suggested by us. The classification of branches would take care of the posting and fitment of the category of branch managers as a whole. Thus, detailed categorisation to be undertaken by the *ad hoc* Committee will be confined to the rest of the posts numbering about 400.

Implementation of the pay structure and fitment of Officers

5.33 (i) The standardised pay structure including the set of allowances and perquisites recommended by us should be treated as a 'package' for purpose of implementation. The new pay structure is related to the index level of 200 in the Working Class Consumer Price Index (base 1960 = 100), and it should be implemented by the Government from an appointed date which should be uniform for all banks. For facilitating fitment of officers according to our formula, the appointed date should correspond to a quarterly average Index number which is a multiple of 8 above 200. It should apply to all officers to be directly recruited or promoted after the appointed date, as also those previously recruited by the banks and undergoing probation on with date. Officers already in position may be given an option to elect for the new scales or continue on the old scales until the turn of their present grade. Officers choosing to continue on the old scales may be allowed to draw pay any allowances according to their entitlements until the turn of the grade, but our recommendations regarding perquisites should be made applicable to all officers from the appointed date.

***5.34** The fitment of officers in the various scales will be the responsibility of the management of each bank. The basic principle should be that their present emoluments in respect of basic pay and D.A. should be protected. We would not include post allowances under emoluments to be protected because, firstly, the grades/scales of pay for different posts are to be related to their functions and responsibilities, and secondly, categorisation of posts and fitment of officers into particular grades/scales can be expected to compensate them adequately.

Categorisation [3]

For fitment in the senior and top management levels, the Pillai Committee has suggested setting up of an ad hoc committee which would take up the case of such officers in each bank and suggest appropriate fitment on a uniform basis. The Group considers this recommendation as necessary as otherwise the present designations in different banks may lead to wrong fitment. The Group would suggest that the ad hoc committee proposed by the Pillai Committee could be the present Group itself, which could consider case by car the fitment for the senior and top management levels in all the banks.

5.35 The following formula is recommended for the purpose of fitment of officers in the junior management grade (Scale I). The

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* 3 Modification suggested by the Group of Bankers.

first step is to find out the existing emoluments of the officer, i.e. his basic pay plus dearness allowance. Add to this, one increment in the old scale and the resulting total is the total emolument to be protected in the scale. The officer should be fixed at the corresponding stage in the new scale at which the new basic pay plus D.A. will be equal to or just above the total emoluments to be protected.

A few examples will illustrate the working of the formula at the minimum of the officer's scale in a few banks with diverse scales and D.A. patterns—

Name of Bank	Emoluments to be protected		Corresponding stage in the new scale for fitment	
		Rs.		Rs.
Bank of India	Basic Pay	400	Basic Pay	780
	D.A. at 248 points in the index	444	D.A. at 248 points	140
	One increment	35		
		879		920
Canara Bank	Basic Pay	470	Basic Pay	820
	D.A. at 248 points	432.40	D.A. at 248 points	147.60
	One increment	25		
		927.40		967.60
Indian Bank	Basic Pay	350	Basic Pay	700
	D.A. at 248 points	259	D.A. at 248 points	126
	One increment	25		
		634		826
United Commercial Bank	Basic Pay	325	Basic Pay	700
	D.A. at 248 points	341.25	D.A. at 248 points	126
	One increment	25.00		
		691.25		826

		Rs.		Rs.
Syndicate Bank	Basic Pay	350	Basic Pay	700
	D.A. at 248 points	388.50	D.A. at 248 points	126
	One increment	25		
		763.50		826
Punjab National Bank	Basic Pay	700	Basic Pay	920
	D.A.*	313	D.A. at 248 points	162
	One increment	30		
		1043		1082
Bank of Maharashtra	Basic Pay	325	Basic Pay	700
	D.A. at 248 points	338	D.A. at 248 points	126
	One increment	25		
		688		826

* D.A. as on 1-1-74.

Fitment in New Grades [4]

The Committee has suggested certain formula for fitment of officers in the new grades. While the principles underlying these fitment proposals are sound, there would be certain anomalies in their application in the case of certain banks. In the case of Indian Bank, the existing dearness allowance is very low. It has only 50 per cent neutralisation as against 75 per cent neutralisation generally adopted in other banks. As a result, the pay plus D.A. in Indian Bank will be very much lower than for employees at similar stages in other banks. Indian Bank had sent proposals for revising the D.A. formula in the bank in line with other nationalised banks and the Government had not taken a decision on these proposals, pending a view being taken on the Pillai Committee recommendations. Similarly, in the case of Punjab National Bank the dearness allowance is linked to middle class consumer

[4] Modification suggested by the Group of Bankers (covering paras 5.33 to 5.35).

price index and there is a ceiling of pay plus D.A. of Rs. 2000/- which is operating to the disadvantage of the officers. The bank's proposals for raising this ceiling to Rs. 2400/- has also not been decided by the Government. In Canara Bank, the basic pay is linked to a higher level of the consumer price index. Even in banks where the Dearness Allowance admissible to the officers is linked to the working class index, the maximum Dearness Allowance payable and the ceiling in respect of the aggregate of basic pay and Dearness Allowance differ; the quantum of the maximum at 147% (which is the present rate applicable) ranging from Rs. 624/- to Rs. 975/-, and the aggregate ceiling from Rs. 1987/- to Rs. 3103/-. It would, therefore, be inequitable if the proposed fitment formula (which is based on the existing quantum of pay plus D.A. plus one increment) is applied uniformly to all the banks, without making the necessary adjustment for the inequitous dearness allowance formula obtaining in some of the banks.

The Group considered two alternatives for such adjustment — one would be to notionally revise the dearness allowance to officers in those banks where proposals for revision have been pending and apply the formula suggested by the Committee on the basis of the revised D.A. notionally raised. The other would be to work out the fitment as proposed by the Pillai Committee in all banks on the basis of All-India Working Class Consumer Price Index 1960 — 100 with seventy five per cent neutralisation. The maximum basic pay ranking for D.A. obtaining in each of the banks at present small remain unchanged. On the basis of the quantum of dearness allowance so worked out for the different stages in the basic pay, the notional figure of basic pay plus D.A. for the purpose of fitment will be arrived at. The Group after considering the alternatives felt that for the sake of equity clarity and easy implementation the second alternative would be more suitable.

This formula would be uniformly applicable to all nationalised banks. However, in banks where a merger of certain portion of D.A. in basic pay has already taken place, the basic pay of the employees will have to be notionally worked backwards on the level of the working class consumer price index 1960 — 100 i.e. the element of merger of D.A. in basic pay will have to be taken out and a notional scale will have to be worked out corresponding to the existing scale. Then the uniform Dearness Allowance formula will have to be applied before fitment. (Illustration at Annexure 'I') If this exercise prove to

be difficult, these banks may be permitted to fit the officers on the basis of Pillai Committee recommendations without any modification.

In some of the banks certain categories of officers are entitled to free houses or a house rent allowance as such or in lieu of free houses and similarly officers posted at some centres are being paid City Compensatory Allowance up to Rs. 200/- instead of Rs. 100/- as recommended by the Pillai Committee. In these cases, whilst changing over to new pay scales and allowances there will be a sharp reduction in the total monthly emoluments of these officers. The group feels that such a reduction should be avoided and for this purpose it should be provided that if the total emoluments on fitment are less than the existing total emoluments, the difference should be paid as personal allowance, which is to be absorbed by future increments.

It is also clarified that fitment into the different grades will be on the basis of the nature of the duties performed at present i.e. e.g. all present junior officers will have to be fitted into the junior scale, if necessary, by grant of personal pay.

ANNEXURE 'I'
(Ref. Para 4.3)

Illustration

Existing D.A. Scheme — Neutralisation at the rate of 3% for every 4 points rise over 160 (at CPI 160 D.A. nil) — Linked to All India Working Class Consumer Price Index 1960=100.

Basic Pay at CPI 160	*Suppose Merger quantum is 15%*	*Notional Basic Pay for fitment (Rounded off to nearest)*
Rs.	*Rs.*	*Rs.*
450	67.50	384
475	71.25	404
500	75	425
525	78.75	446
550	82.50	468
575	86.25	489
600	90	510
etc.		
etc.		
etc.		

Note

On Notional Basic Pay in column 3 Uniform D.A. formula at the rate of 147% for January, 1977 is to be taken for the purpose of fitment into Pillai Committee scales of pay.

5.36 In the case of future promotees to the officers grade a different formula has to be adopted. As an officer is called upon to discharge heavier responsibilities than a clerk, there is a case for a clear differential between the emoluments of a clerk and that of a junior officer. But the argument cannot be stretched too far as clerks who have advanced towards the maximum of their scale and are made special assistants are bound to have emoluments higher than the junior officers. The important thing is that the officers' post should be made attractive for the clerk to work up to and the officer's salary and status should be such as to commend respect from the generality of the clerks. These considerations have weighed with us in fixing the minimum basic salary of an officer at Rs. 700/- while the maximum basic salary of a clerk is only Rs. 550/-.

5.37 The All India Confederation of Bank Officers Organisations in their memorandum to this Committee have stated as follows :

> "Starting emoluments to be fixed should be so arranged as to ensure that a clerk with graduation and CAIIB qualifications with 8 years service (the normal time for promotion in many banks) gets a wage differential to cover the following factors :
>
> 1. Differentials based on the job evaluation;
> 2. Compensation for risk and responsibility shouldered;
> 3. Longer hours of work;
> 4. Transferability; and
> 5. Managerial decisions.
>
> Such a differential should be at least Rs 250/- over and above what an officer would have drawn as a clerk in order to compensate for the above stated factors. Normally, in most of the banks the clerical staff are promoted with 8 years of service. A graduate clerk with CAIIB qualifications draws a total emolument of Rs. 1050/- including special allowances but excluding overtime".

It was further argued by the Confederation at the oral evidence that a clerk who is appointed as a special assistant gets an allowance of Rs. 91/- for the supervisory duties he discharges in this capacity and he gets 15 per cent of his pay as officiating allowance when he officiates as an officer. The officiating allowance would work out to Rs. 70/- for a special assistant referred to above with 8 years service so that the two allowances together would give him a total of Rs. 161/-. If this is the differential for an officiating officer, a higher differential is warranted for a full-fledged officer to compensate him for the above mentioned factors. It is on these grounds that the Confederation has suggested a differential of of Rs. 250/-.

5.38 We have given careful consideration to these matters. The fact that a special assistant is given Rs. 91 as allowance for doing

supervisory duties is, of course a relevant factor. But we are not impressed by the argument that as a special assistant gets 15 per cent as officiating allowance the differential should be more than the special allowance, plus officiating allowance. The officiating person is put in charge of temporary responsibilities without the status, privileges and opportunities, for promotion open to a permanent officer, and therefore, the compensation paid to him for the temporary duties are of a different order from the salary attaching to the post of an officer. The benefits accruring to a clerk who is permanently promoted as officer are not confined to differences in immediate emoluments; they are, more importantly, a higher basic salary, with the incidental additional provident fund benefits, a higher scale reaching up to Rs. 1800/-, a higher rate of increment in the new scale, and above all, a career path with great potentialities for advancement in future.These are adequate compensations for the higher responsibilities which they are called upon to shoulder, the longer hours of work and the incidence of all-India transferability. After all, the responsibilities, which a junior officer at the beginning of his career is called upon to shoulder are only a shade higher than that of a special assistant. It is also noteworthy that several banks do not have the category of special assistants. As the clerical emoluments are already pitched high, any sizeable increase in emoluments on promotion as officer would widen the gulf in emoluments between directly recruited and promoted officers and make entry through the clerical cadre more advantageous than direct entry as officers. Further, if a large differential between the clerk's emoluments and that of a junior officer is admitted at this stage, it is possible that future promotees will come to receive higher emoluments than their seniors who get promotion earlier as officers and were fixed in the new scale. Taking all these factors into consideration, we recommend that the differential in the emoluments of a clerk who is promoted as a junior officer should be only Rs. 100/-.

5.39 As the quantum of dearness allowance for a change of 8 points in the Index will be higher for clerks than for officers in the new pay structure, clerks getting promoted at a later stage after the appointed date may get an advantage in pay fixation over their seniors who were promoted at an earlier date if all are fitted at a level corresponding to their emoluments at the time of promotion. Therefore, for fitment in the officer's scale the base to be taken should be the emoluments on the appointed date.

5.40 We recommend the following formula for the fitment of future promotees to the officer's cadre after the appointed date :

(*a*) *Clerks promoted as officers* — First, take the basic pay plus D.A. of the clerk at the base date *i.e.* appointed date or the date of his appointment as clerk, whichever is later. Add increments drawn subsequently in the old

scale and the D.A. he would have drawn notionally according to the D.A. formula for officers (*i.e.* 3 per cent for 8 points) for all excess points in the Index at the time of promotion above the Index level at the base date. Add a further Rs. 100/- (the differential we arrived at earlier) to get the total emoluments to be protected. Find out the corresponding stage in the officer's scale which is equal to or just above that figure and fit him there.

(b) *Special Assistants promoted as officers* — Special assistants being already in receipt of special allowance of Rs. 91/- per mensem with benefit of D.A. on that amount also, will not be entitled to the addition of Rs. 100/- to the emoluments suggested for clerks before fitment. The formula for the fitment of a special assistant promoted to the officers' grade will be as follows: First take his basic pay plus D.A. plus special allowances at the base date *i.e.* 'appointed date' or the date of his appointment as special assistant, whichever is later. Add increments drawn subsequently in the old scale and the D.A. he would have drawn notionally according to the D.A. formula for officers (*i.e.* 3 percent for 8 points) for all excess points in the Index at the time of promotion above the Index level at the base date. The aggregate of these items will give the total emoluments to be protected. Find out the corresponding stage in the officers' scale which is equal to or just above that figure and fit him there.

In the case of all future promotees to the officers' grade after the appointed date, if their total emoluments at the stage at which they are fitted happen to be less than their total emoluments in the clerical grade at the time of promotion, the shortfall should be made good by a personal allowance to be absorbed in future increments.

5.42 Regarding the fitment of officers in the higher scale, the following further guidelines are suggested :-

(a) The period of service that the present officers have put in should be an important criterion for the fitment of officers in the higher grades. As a general rule, an officer should be fitted into scale II in the middle management grade only if he has put in at least 8 years of satisfactory service as an officer. For fitment into scale III, the minimum period of service required as officer should be 16 years. For fitment into scale IV and V, the minimum total period of service as officer should be 20 years.

(b) But length of service alone cannot be a proper yardstick for placement of officers in the higher grades. Thus, irrespective of the length, of service, an officer who has not gained adequate experience in costs categories in the middle management grade should not be fixed in the senior management grade. Likewise, an officer who has not held senior management positions with distinction should not be selected for the executive grade. Exceptional cases cannot be ruled out of officers who have outstanding records of performance to their credit in the middle or senior management positions who may have to be fixed up in higher grades even though they may fall short of the total length of qualifying service indicated earlier for general guidance. Such cases should, however, be decided at the level of the Board of Directors in each case.

(c) If an officer's emoluments (pay plus D.A.) at the maximum of the scale in which he is fitted according to the norms adopted is found to be less than his total emoluments to be protected at the time of fixation, the shortfall should be made up by giving him an adjustment allowance till such time as he is promoted to a higher scale. In cases where the differential in emoluments at the start of the *higher scale* is less than the adjustment allowance, the balance of the adjustment allowance may be absorbed in future increments.

5.43 When several officers of different seniority are clubbed together at one stage in the new pay scale, the date of increment of the senior officers should be prepared by a suitable period ranging from three to twelve months depending on the number of officers so clubbed.

5.44 Where officers are on contractual service or enjoy personalised scales, they may be allowed to continue on the same basis. We recommend, however, that in future, scales should be fixed for posts and not for persons, except when they are on contractual service.

5.45 Because of the diversity in the organisational structures of the nationalised banks, it may not be possible to completely rule out anomalies in the fitment of the officers in the standardised pay scales. It is our hope that the managements of the banks will be able to offer proper redressal in such cases in consultation with the proposed National Banking Service Commission.

CHAPTER 6

STANDARDISATION OF ALLOWANCES

General Approach

6.1 Allowances, as we have pointed out in Chapter 4, form an integral part of the pay structure, not only of banks, but also of other industries and governments. Some of these allowances are now, common to all sectors, while others are of a special nature related to the needs of particular industries or regions. The most important of the common allowances are Dearness Allowance (D.A.), City Compensatory Allowance (C.C.A.) House Rent Allowance (H.R.A.) and Travelling Allowance (T.A.), We have already indicated in Chapter 4 the pressing need for a national approach to the wages question. It is true that such an approach does not warrant identical pay scales for different sectors of the economy or for different industries, because pay has to be related to the arduousness of the duties performed, the heaviness of the responsibilities discharged, knowledge, expertise or experience demanded for particular posts, the conditions under which work has to be carried out and the special features of each industry. These factors will account for variations in pay scales between industries for apparently similar jobs. But so far as compensatory allowances are concerned, the case for uniformity is very strong. Cost of living, for example, affects alike employees in different industries of government in the same income brackets and has, therefore, to be compensated by a broadly similar pattern of D.A. or city compensatory allowance. We had posed this issue to all the managements of the 14 nationalised banks and associations/unions who had given evidence before us. Though the logic of the principle of uniformity was generally accepted, it has been forcibly argued before us that in the matter of D.A. particularly, existing practice in the industry cannot be lightly brushed aside and further, a uniform pattern within the nationalised banking sector is itself not within the scope of the Committee's work, as the award staff are governed by their own settlements. Thus, circumstances may often demand deviations from a common pattern, We have, therefore, tried to adopt a national approach in respect of allowances to the extent it is practicable.

A disturbing feature of the system of allowances in the nationalised banks is the multitude of allowances, perquisites and concessions which have evoked much public criticism. There are also several wasteful practices which have adversely affected the profitability of these institutions. We shall be subjecting all of them to careful scrutiny in this Chapter and the next.

Dearness Allowance

6.2 The dearness allowance system obtaining in the nationalised banks for officers today is, as we have seen, largely circumscribed

by the standardised pattern of dearness allowance adopted for the clerical cadre in the collective agreement of 1970. The main problem confronting the banks in this regard is that the scales of pay of clerical staff and junior officers overlaps at certain stages and any lower rate of D.A. to the officers than to the clerks would not only wipe out the differentials in salary between them, but may lead to the clerks being better off than the officers. Therefore, a uniform pattern of D.A. for clerks as well as officers has come to be adopted in most banks up to the salary level of about Rs. 640/- per mensem. The maximum D.A. admissible at this level is often made applicable at a flat rate to the higher salaried officers.

6.3 From the point of view of a national approach to the question of dearness allowance, we have to examine how far the D.A. formula as adopted by Government on the recommendations of the Third Pay Commission is suitable for the officer cadre in the nationalised banks. The main features of the Government pattern are as follows :-

(i) D.A. is linked to the All-India Working Class Consumer Price Index (Base 1960-100).

(ii) As the pay structure is related to the annual average of the Index as on October 1972 which was 200, D.A. is payable only for any rise in the average index above 200.

(iii) 100 per cent neutralisation is allowed upto Rs. 300/- per mensem and 75 per cent neutralisation upto Rs. 900/- per mensem the quantum of D.A. for the higher income brackets being limited to what is admissible for a pay of Rs. 900/-, upto a maximum salary of Rs. 2250/- subject to the further limitation that pay plus D.A. should not exceed Rs. 2400/-.

(iv) The periodicity in the adjustments of D.A. vary with the rise in incomes; upto Rs. 900 adjustments are made for every change of 8 points in the average of the Index, from Rs. 901 to 1600 for changes of 16 and 24 points and from 1601 to 2250 for every change of 24 points above 200. The process is to be repeated in the same order when the average of the Index rises higher than 224 and the cycle is to be repeated for a rise beyond 248.

6.4 The first question is regarding the index to be adopted; in other words, whether we should adopt the Working Class Consumer Price Index (base 1960) or the Middle Class Index which has been adopted in Punjab National Bank and the State Bank of India Group. The Third Central Pay Commission had, after a careful examination of the behaviour and methods of computation of these two indices, finally opted for the Working Class Index for

all categories in Government. It is instructive to note that two of the nationalised banks, *viz.*, Union Bank of India and Syndicate Bank which had adopted the Middle Class Index for their dearness allowance system in 1970 were obliged to give it up subsequently and link the dearness allowance to the Working Class Index because the Middle Class Index was very sluggish in its movement and did not truly reflect the changes in the cost of living. Further, the Punjab National Bank Officers' Association is also not happy about the linkage to the Middle Class Index and has expressed a preference for the Working Class Index. For these reasons, we feel that the Working Class Consumer Price Index (base 1960=100) should be adopted for the D.A. system for the officers of the nationalised banks.

6.5 The second question is the base above which D.A. is payable and the periodicity of adjustments. The officers' scales are related to the quarterly average of 200 in the Consumer Price Index (base 1960=100) which was reached in the third quarter of 1972. D.A. for the officers will be admissible for the points in the quarterly average of the Index above 200 only. We consider it appropriate to adopt the pattern of quarterly adjustments because for the award staff adjustments are made quarterly and a different pattern for the officers' D.A. may lead to anomalies.

6.6 Regarding neutralisation, the recent Government decision to give 75 per cent neutralisation in the salary range Rs. 301 to Rs. 900/- per month is suitable for the nationalised banks also, because it will avoid distortions in the pay structure arising from a higher rate of neutralisation for the clerks than for officers. We, therefore, recommend the adoption of 75% neutralisation for D.A. for officers in the salary range of Rs. 700/- to 900/- per mensem. Accordingly, the rate of adjustment upwards or downwards for every change of 4% in the average index above 200 will be 3% of the basic pay in the D.A. per month.

6.7 The third question is regarding the block of points in the Index to be taken for adjustments. As the basic salary of an officer has been raised to correspond to the level of 200 in the Index, while the basic salary of the clerks still remains at 100 in the Index, 75% neutralisation for the clerks will give them D.A. at 3% of basic pay for every 4 points rise in the Index, but for officers in the new pay structure it will give 3% for every 8 points rise in the Index.

6.8 The last question regarding D.A. is the rate of D.A. admissible at salary levels above Rs. 900/- per month and the maximum to be fixed. The new Government D.A. formula has a tapering effect as salaries rise, because the 3 per cent rate of adjustment for every 8 points rise or fall operates only upto Rs. 900/- in the salary scale at which stage 3 per cent of the basic salary will amount to Rs. 27. At salary levels above Rs. 900/- the rate of adjustment for every

8 points is limited to what is admissible at the Rs. 900/- level; *viz.*, Rs. 27. Officers in the higher salary brackets get adjustments of D.A. less frequently i.e. for blocks of 16/24 points only. A tapering system of D.A. is already prevalent in the nationalised banks and the evidence tendered to us from different quarters also strongly supports such a system. In the circumstances, we feel that the tapering system in the Government formula as also ceilings fixed therein should be adopted in the D.A. formula for the officers of the nationalised banks.

*6.9 Our recommendations regarding dearness allowance may be summed up as follows: Officers up to a salary level of Rs. 900/- per mensem are eligible to get quarterly adjustments in the D.A. for every rise or fall of 8 points above 200 in the quarterly average of the All India Working Class Consumer Price Index (1960=100). The rate of adjustment will be 3 % of the basic pay for every change of 8 points in the quarterly average of the Index. The quantum of D.A. adjustment for every 8 points in the salary ranges above Rs. 900/- per month will be limited to Rs. 27/- per mensem. The periodicity of the adjustments will be different for officers in the salary range of Rs. 901/- to 1600 per mensem. The first adjustment will be for a block of 16 points (when the quarterly average reaches the level of 216) and the second adjustment will be for the block of 8 points when the average index reaches 224. At this level of 224, officers in the salary ranges Rs. 1601/- and above will get their first adjustment of D.A. for a block of 24 points. This cycle of adjustment for blocks of 8, 16 and 24 points will be repeated for every change of 24 points in the average Index. However, there will be a ceiling as in the case of Government, *viz.*, that salary plus D.A. should not exceed Rs. 2400/- per month. The following table illustrates the working of the formula.

*6.10 **D.A. Formula**

Pay	Amount of D.A. for 8 points rise over 200 in the Consumer Price Index	D.A. in Rupees per mensem at the quarterly average of								
		Cycle I			Cycle II			Cycle III		
Rs per mensem	Rs. per mensem	208	216	224	232	240	248	256	264	272
700	21	21	42	63	84	105	126	147	168	189
900	27	27	54	81	108	135	162	189	216	243
1600	27	Nil	54	81	81	135	162	162	216	243
2000	27	Nil	Nil	81	81	81	162	162	162	243
2250	27	Nil	Nil	81	81	81	150	150	150	150

* See Modification (covering paras 6.9 to 6.11) on next page.

***6.11** We have adopted the ceilings fixed by Government for D.A. from the point of view of a national approach to the D.A. question. It follows that in case the ceilings are raise by Government, suitable adjustments should be made in the D.A. for the officers of the nationalised banks also. Further, the formula will be subject to suitable marginal adjustments.

Dearness Allowance[5]

Regarding Dearness Allowance the Government have decided that while the amount of neutralisation may continue to be 3% of pay subject to a maximum of Rs. 27/- for every 8 point rise, up to the level of 272 points in the quarterly all India Consumer Price Index as recommended by Pillai Committee, it should be limited to 2½% for every 8 point rise thereafter subject to a maximum of Rs. 20/- as is obtaining in the Government.

House Rent Allowance@

6.12 The basis of payment of house rent allowance to officers in the nationalised banks shows a good deal of variation. The payment is made both at flat rates and as a percentage of the basic pay. Differences also arise according to the location of the branches in metropolitan, urban and rural areas. Where the allowance is payable as a percentage of the basic pay, maximum limits have generally been prescribed and the highest maximum prescribed is at Rs. 450/-, in the case of Central Bank of India. In some cases, flat rates have been prescribed according to the slabs of salary while in others these rates are according to the grades or categories of officers. There is also no uniform classification of cities or areas applicable to all banks. A special feature of Canara Bank is the payment of special subsidy in addition to the usual house rent allowance in Bombay, Poona, Nagpur and Madras. This subsidy is payable to officers not provided with bank accommodation, at the rate of 50 per cent of the difference between rent paid and house rent allowance payable subject to a maximum of Rs. 50/- per mensem. The pattern in Punjab National Bank is slightly different and is more on the basis of house rent allowance in the Central Government. Officers in this bank are allowed house rent allowance at the rate of 15 per cent of the basic pay provided that the part of the rent up to 10 per cent of basic pay is borne by the officer himself. However, Assistant Managers, Accountants and Sub-Accountants at specified cities like Bombay, Calcutta and Delhi have an option to opt for a fixed house rent allowance which is of the order of Rs. 25-35 per mensem. The Bank has also a system by which officers living in own house/houses owned by spouse/mother/father are allowed to draw house rent allowance at

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@ Statement 5.

* 5 Modification suggested by the Government of India.

market rate of rent of the portion occupied subject to a maximum of Rs. 250/300 according to the place of residence. Indian Overseas Bank makes a distinction between its South Indian branches and North Indian banches in fixing the minimum and maximum limits of house rent allowance payable to its officers. Another significant aspect of house rent allowance can be seen in the case of Syndicate Bank where at Goa and Poona branches the rate of house rent allowance is different for local officers and those who are not from the local area.

6.13 Officers in the State Bank of India who have not been provided with free quarters are allowed house rent allowance @ 15 per cent of basic pay (minimum Rs. 125/- and maximum Rs. 150/-).

6.14 The concept of a house rent allowance in Government differs from that in vogue in the banking industry. Barring exceptional cases where a free house may be provided, house rent is considered to be a liability of every employee. But the generally accepted norm for expenditure on house rent in India is 10 per cent of the pay. In certain geographical areas, however, due to shortage of accommodation the level of rents may be much higher than in others and the employee may not be able to get a suitable house conforming to the standard of his class of officers for 10 per cent of his pay. It is in such cases that a house rent allowance is paid to the employees "to compensate them partly for the specially high rents they have to pay for hired residential accommodation". Naturally the rate of house rent allowance should have some relation to this additional cost which may vary from place to place. The rates are related to classification of cities and towns on the population criterion.

6.15 Public enterprises in India too pay house rent allowance to their employees on the Central Government pattern but in major cities of Delhi, Calcutta, Madras and Hyderabad the Bureau of Public Enterprises has recommended that the ceiling for house rent allowance payable by the enterprises may be fixed at 25 per cent of the basic pay and in Bombay alone it may go up to 30 per cent.

6.16 In the banking industry today, payment of house rent allowance to officers who are not provided with rent free accommodation is practically universal. It is payable not only in metropolitan and urban areas but also in rural areas though the rates may vary. The rationale of this practice is perhaps to see that officers are decently housed, wherever they are, because the image of a bank depends partly on the way its officers live and conduct themselves. We do not propose to suggest any change in the geographical coverage of house rent allowance as it obtains at present in the banking industry. We consider that the area classification arrived at by the bipartite settlement for the award staff for the purpose of house rent allowance can form the general basis for the house rent

allowance for the officers also. However, in Area I, we would like to treat major 'A' class cities as classified by the Bureau of Public Enterprises from time to time as a separate category.

6.17 Our recommendations regarding house rent allowance are as follows. House rent allowance may be paid to all officers not provided with accommodation. The officer should bear monthly rental charges up to 10 per cent of his basic pay. House rent allowance will be payable to officers to compensate them for the excess of the actual rent paid over and above this 10 per cent at the rates mentioned below on the strength of rent receipts.

1.	Major 'A' class cities (Bombay, Delhi, Calcutta, Madras and Hyderabad)	—	Upto 25 per cent of basic pay subject to a maximum of Rs. 400/-.
2.	Area I	—	upto 20 per cent of basic pay subject to a maximum of Rs. 300/-.
3.	Area II	—	upto 15 per cent of basic pay subject to a maximum of Rs. 250/-.
4.	Area III	—	upto 10 per cent of basic pay subject to maximum of Rs. 250/-.

Where an officer resides in his own house or portion of that house, its market rent should be taken for the purpose of reckoning house rent allowance admissible.

City Compensatory Allowance*

6.18 The general concept behind the payment of a city compensatory allowance is to compensate the employees for the high cost of living in the bigger cities. Differential rates are generally prescribed according to the size of the city on the assumption that the more populous the city, the higher will be the cost. In recent years the cost of living in several places which would not qualify for the payment of C.C.A. on the population criterion have shot up, so that the classification of the cities for the purpose has become difficult in the absence of data on the comparative cost of living in different areas. Therefore, the classification has to be done on the basis not only of population but also other relevant factors. The pattern of the payment of the city compensatory allowance in the nationalised banks, however, shows that what is designated as C.C.A. often partakes of the nature of a post allowance or in-

* Statement 6.

centive payment to take up work in certain areas. The payment of C.C.A. in the nationalised banks shows wide variations. Four of the nationalised banks have reported that they are not paying a city compensatory allowance to their officers. Nevertheless, one of these, *viz.*, Bank of India, is paying an allowance of Rs. 50/- per mensem to its officers posted at Gauhati. This allowance called Temporary Emergency Allowance was introduced in 1962 at the time of the Chinese aggression and has since continued as 'the tension at the border has not yet abated'.

Bank of India is also paying a Delhi Allowance and a Calcutta Allowance to its officers transferred to these stations in the bank's interest. Officers originally posted (*i.e.* on probation) or officers belonging to Delhi and West Bengal are not eligible for the allowance. The main patterns of city compensatory allowance paid by the nationalised banks are — (a) the allowance is paid as a percentage of the basic pay with suitable maxima; (b) the allowance is paid at a prescribed flat rate at specified cities/places/ areas. In specifying such places, there is no uniformity and individual banks have their own classification, but sometimes the classification of areas as laid down in the Bipartite settlement for the award staff is used; (c) the rates depend on the posts the officers hold; (d) the rates are related to the deposits at the branch concerned. Quite often a combination of one or more of the above criteria is used. Another feature of the city compensatory allowance is that while in some banks all officers (including executives) are in receipt of city compensatory allowance, in others only specified categories of officers are entitled to this allowance. The maximum quantum of city compensatory allowance payable is Rs. 700/- per month and the minimum Rs. 25/- per month.

6.19 There are also some special features in certain banks. For example, Canara Bank officers at the branch level are eligible to an additional city compensatory allowance in North Indian Branches and specified cities in South India, besides what they would get under the general classification. Indian Bank also pays its officers in main branches at Bombay, Calcutta, Ahmedabad, Delhi and Karolbagh a higher amount of city compensatory allowance than that for officers posted at other branches in the same cities. Indian Overseas Bank too has prescribed different rates for its officers posted in North and South Indian branches.

6.20 Clerical staff in the nationalised banks are paid city compensatory allowance in Area I Centres only at 15 per cent of basic pay subject to a minimum of Rs. 30/- per month and maximum of Rs. 80/- per mensem.

6.21 The city compensatory allowance is payable to all Central Government employees working in A, B1, and B2 class cities at rates varying with the class of the city.

6.22 The first question which arises is whether city compensatory allowance should be admissible to all officers in banks. The present position is that in some banks none of the officers get it, while in others it is paid to all officers including executives. As all officers in the Central Government are getting this benefit, it is only fair that bank officers should also be paid this compensatory allowance, especially at a time when the cost of living is shooting up.

6.23 The next question is regarding the classification of cities. The city compensatory allowance for the award staff has already been based on the three-fold classification of areas first introduced by the Desai Award (1962) and modified from time to time by bilateral settlements. The State Bank has also adopted this area classification for the purpose of city compensatory allowance for officers. We think it would be better to base the city compensatory allowance for the officers in the nationalised banks on this area classification rather than on the Government's classifications of cities, as this would give a uniform base for the city compensatory allowance for the officers and the award staff who are promoted as officers.

6.24 Regarding the rate of city compensatory allowance for the officer cadre, we have to take into account the prevailing rates in Government, in the State Bank of India and in the award staff sector. In the Government the rate of city compensatory allowwances ranges from 3.5 per cent of pay in B2 cities to 6 per cent of pay in A class cities and the maximum allowed is Rs. 75/- only. In the State Bank of India, on the other hand, the rate is 10 per cent of pay subject to a maximum of Rs. 200/- in Area I and 5 per cent subject to a maximum of Rs. 100/- in Area II. The grant of city compensatory allowance for Area II and the fixing of the high maximum of Rs. 200/- are due to certain historical circumstances. The city compensatory allowance in area II was introduced in 1962, because the then scales of pay of officers were related to Area III so that those working in Area II and Area I were given city compensatory allowance. But this allowance in Area II could not be withdrawn even when the pay structure of officers was revised. Similarly, it appears that the maximum for Area I was fixed at Rs. 200/- because the city compensatory allowance replaced the local allowance paid by the erstwhile Imperial Bank which, for senior officers, was Rs. 200/- at Bombay and Calcutta. Therefore, neither the admission of the city compensatory allowance for Area II, nor the ceiling of Rs. 200/- in the State Bank can be taken as model for purposes of fair comparison in determining rates for the officers of nationalised banks. The award staff are entitled to 15 per cent of basic pay as city compensatory allowance in Area I only, with a maximum limit of Rs. 80/-. The maximum rate recommended by the Pay Commission falls far short of the rates now in force for the award staff. Therefore, we find it difficult to adopt the Government rates for these officers.

6.25 Taking all these factors into consideration, we recommend as follows: The city compensatory allowance for officers in the nationalised banks should be paid for Area I only, and the rate should be 10 per cent of basic pay subject to a maximum of Rs. 100/- per mensem. In the case of officers transferred from a place where city compensatory allowance is admissible to another place where it is not admissible, some banks at pressent follow the practice of allowing the officer to retain the original city compensatory allowance. This contravenes the very purpose of the C.C.A. which is a compensatory allowance to enable the officer to meet the additional expenditure involved in working in cities. There is no justification for its continuance when he is transferred to a less expensive place. We, therefore, recommend that this wasteful practice may be discontinued wherever it is prevalent.

Other Area Allowances@

6.26 *Goa allowance* — This allowance is paid to compensate for the high cost of living in Goa by eight nationalised banks to their officers at different rates. But it is not payable to the award staff. This allowance was introduced in Government also, at the time of the transfer of power over this territory to the Union Government, but it was abolished with the introduction of Central pay scales. As this is intended to compensate the high cost of living in this area, it is analogous to a city compensatory allowance with a larger coverage. We do not consider it necessary to pay this allowance for the whole area but city compensatory allowance may be made admissible in the urban agglomerations of Panaji and Marmugao but not in other parts of Goa. We, therefore, recommend that the Goa allowance may be abolished and instead city compensatory allowance should be paid to officers working in the urban agglomerations of Panaji and Marmugao which may be included under Area I for this purpose.

*6.27 *Special Area Allowances* — Some banks are paying a special allowance to officers posted in certain difficult areas like Arunachal Pradesh, Assam, Manipur, Nagaland, Tripura, Mizoram, Meghalaya, Port Blair (Andamans), Laccadives and Minicoy Islands, Willingdon Island (Cochin), Coorg (except Mercara), etc. These are generally intended to induce officers to work in difficult, inaccessible or expensive areas. We feel that the payment of an area compensatory allowance in such places is justified. But the selection of the places may be left to the managements. In respect of places where more than one nationalised bank operate, however, uniform practices in this regard may be adopted by mutual consultation. We further recommend that such allowances should not exceed Rs. 150/- per mensem in Andamans, Nicobar, Laccadives, Minicoy, Mizoram, Arunachal Pradesh and Ladakh and not exceeding Rs. 100/- per mensem in other places.

@ Statement 7.

* See modification suggested by the Group of Bankers on next page.

Other Area Allowances [6]

While the Group is generally in agreement with the recommendation for abolition of various special area allowances, it is felt that the allowance of Rs. 100 not suggested by the Pillai Committee for branches in Ladakh and other inaccessible areas may cause some difficulty. The feasibility of rationalising these in the light of what is obtaining for Government officers posted in such areas may have to be further examined and still such examination is made, the present allowance may continue.

***6.28** *Project Area Compensatory Allowance* — Project areas are generally more expensive than others and those who work there are often deprived of many comforts and conveniences available elsewhere. The project area allowance is intended to compensate employees for these privations and additional expenses. The award staff are eligible for this allowance in specified cities divided into groups A and B at the rate of Rs. 10/- per mensem in Group A and Rs. 8/- per mensem in Group B. We recommend that the same pattern be adopted for officers also working in project areas and the rates may be Rs. 40/- per mensem in Group A and Rs. 25/- per mensem in Group B.

Project Areas [7]

Places will be treated as project areas for the purpose of payment of the allowance if

i) *It has been declared as one by the Government,*

ii) *The branch of the bank is situated in the project area,*

iii) *It is far away from a town/city; and*

iv) *All land in the area has been acquired by the project authorities as a result of which housing is not available.*

Travelling Allowance

6.29 Travelling allowance rules in the 14 nationalised banks vary considerably as can be seen from the statements 8 to 10. As these banks are now under government ownership, it is desirable

* 6 7 Modification suggested by the Group of Bankers.

to have a uniform set of rules for them. For this purpose, we recommend the following guidelines, taking into account not only the existing practices in these banks, but also the rules obtaining in Government and in the State Bank of India Group.

Travelling allowances for journeys performed on duty

6.30 These would include expenses of travel by air, rail or road, as the case may be, incidental expenses in connection with the journey and daily allowance for the days of halt on duty at the destination. According to the prevailing practices in these banks, eligibility for using different modes of conveyance is related to the post held by the officer or the pay drawn by him. But there is no uniformity either in the eligibility criteria adopted or in the rates of incidental expenses admissible or in the halting allowances paid to the same class of people in different banks.

***6.31** We recommend that the following provisions may be adopted in the T.A. Rules of all the banks :-

1. *Eligibility Criteria*

(a) Officers drawing pay of Rs. 2000/- per mensem and above may travel by AC I Class or by air at their discretion.

(b) Officers drawing between Rs. 1800/- and 2000/- may travel by AC I Class if the distance to be travelled is more than 500 kms. or an overnight journey is involved. They may also travel by air with prior permission of the competent authority in the respective banks.

(c) For air travel by officers of the banks, only economy class fares may be paid.

(d) Officers drawing less than Rs. 1800/- pay will be entitled to first class railway fare only while travelling by rail. But they may be given special permission to travel by air in certain exigencies of business where public interest is served by such travel.

(e) Officers drawing Rs. 2000/- and above may travel by car between places not connected by air or rail, provided that the distance does not exceed 500 kms. However, when a major part of the distance between two places can be covered by air or rail, only the rest of the distance should normally be covered by car. In unavoidable circumstances any officer of the bank may be authorised to travel by his own car or by taxi by the competent authority in the respective banks.

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* See modification suggested by the Group of Bankers on pages 81-82.

2. *T.A Rates*

(i) For air or rail travel, a single fare of the class to which the officer is entitled may be paid.

(ii) For travel by road the mileage rates may be fixed by the banks from time to time taking into account the type of vehicle used and the price of petrol, lubricants, etc. and the terrain covered.

Where hiring of a taxi is permitted, the actual taxi charges may be reimbursed.

For travel by public motor or water transport the actual fare may be paid.

3. *Incidental expenses* — The following incidental expenses may be made admissible:

(a) In the case of air travel,

(i) where transport to and from the airport is provided at both ends, Rs. 10/- per journey;

(ii) where transport to and from the airport is provided at only one end, Rs. 15/- per journey;

(iii) where no transport is provided to and from airport Rs. 25/- per journey.

(b) In the case of rail travel (i) for short journeys (single or return) during the same day, or within a span of 24 hours, Rs. 20/-;

(ii) for long journeys extending to more than 24 hours Rs. 20/- for the first 24 hours and Rs. 20/- for every subsequent 24 hours or part thereof;

(c) for journey by public water or motor transport, 1/3 of the single fare, subject to a minimum of Rs. 10/- per day of travel.

N.B. No incidentals should be paid where mileage rates are admissible.

4. *Daily Allowance*

Officers should be entitled to daily allowance for days of halt on duty outside their headquarters. Any halt overnight at the place of duty will be deemed to be a day for this purpose. The rates of daily allowance may be fixed as follows :-

Basic Pay Range	*Major A Class Cities*	*Area I*	*Others*
Rs. 700-1200/-	Rs. 35/-	Rs. 30/-	Rs. 25/-
Rs. 1201 and above	Rs. 50/-	Rs. 40/-	Rs. 30/-

Provided that (1) the Chief Executive may, at his discretion, permit officers in the top executive grade to claim reimbursement of actual hotel expenses to the extent of Rs. 150/- per day in lieu of daily allowance, (2) in the case of officers undertaking return journeys by road on the same day and claiming mileage, half the daily allowance may be made admissible, (3) where free lodging is provided at the place of halt 3/4th of the daily allowance will be admissible, (4) where free boarding is provided at the place of halt ½ of the daily allowance will be admissible, (5) where free lodging and boarding are provided at the place of halt ¼ of the daily allowance will be admissible. (6) a supplementary diem allowance of Rs. 5/- per day of halt outside headquarters on inspection duty may be paid to all inspecting officers.

Transfer Travelling Allowance

***6.32** 1. *Eligibility*—An officer on transfer may be made eligible to travel to the places of posting the type or class of accommodation he is entitled to on tour, except that airconditioned I class accommodation by rail will not be admissible to any one. The bank should also pay the travel expenses of his family, which for this purpose may be limited to spouse, as also children, parents, brothers and sisters residing with and wholly dependent on the officer. While the spouse and children alone should be entitled to travel by air, if the officer is so entitled, the other members of the family should be entitled to I class railway accommodation only. When the members of the family travel by road, the entitlement should be the actual or the first class rail fare (actual or notional) for the distances covered, whichever is less.

2. *Incidentals* — The officer on transfer should be entitled to incidental expenses as on tour for himself only. In addition, every officer should be entitled to a lumpsum grant to cover incidental expenses on food for the family *en route*, packing and porterage charges, breakages, etc. at the following rates for every transfer :-

Pay Range	*Lumpsum payable*
Rs. 700-1200/-	Rs. 400/-
Rs. 1201/- and above	Rs. 500/-

3. *Baggage* — An officer on transfer may be reimbursed his expenses for transporting his baggage by passenger train upto the following limits :

Pay Range	*With family*	*Without family*
Rs. 700-1200/-	3000 k.g.	1000 k.g.
Rs. 1201/- and above	Full wagon	2000 k.g.

* See modification suggested by the Group of Bankers on pages 81-82

If the baggage is transported by lorry service, the reimbursement may be limited to the actual freight charges or the railway freight by goods train for the distance covered, whichever is less. Officers who own cars may be allowed to transport by train to the place of transfer and the cost of transport will be reimbursable at goods train rates. In the case of place not connected by railway, the running expenses for tansporting the car may be paid at the rates fixed by the bank. In the case of scooters or other conveyances, actual rail or lorry charges for transporting it may be reimbursed. Where a scooter/motor cycle is driven to the place of posting, mileage rates fixed by the bank may be paid.

N.B. No transfer breakage allowance should be paid or packing/insurance charges for the transport of baggage be paid by the banks.

Retirement Travelling Allowance

*6.33 On retirement, a bank officer should be made eligible for travelling allowance, baggage and incidentals for himself and his family as on transfer.

Leave Travel Concession (L.T.C.)**

*6.34 In most of the banks the leave travel concession to go to the home town at present available to their officers is once in three years, while a few are allowing it once in two years. Officers are also allowed L.T.C. to go to any place other than their home town subject to certain distance restrictions. In one bank alone they are allowed L.T.C. once in three years to go to any place in India over and above their biennial L.T.C. for travel to the home town. The concession is available for the family also. But there are marginal variations between banks in the definition of family for this purpose. In the Government L.T.C. is allowed once in a block of two years, and the expenses of travel for the first 400 kms. have to be met by the officer himself, but in the nationalised banks such a restriction does not obtain. The Third Central Pay Commission has recommended L.T.C. facility to go to any place in India once in a block of four years.

Travelling Allowance [8]

At present, all the banks allow senior officers to travel in the highest, class eligible for travel on tour/transfer, viz. AC I Class or air, as the case may be, for travel on leave concession also. The Group felt that this

** Statement 11.

*8 Modification (covering paras 6.31-6.34) suggested by the Group of Bankers.

facility need not be reduced to only travel by I Class as recommended by the Pillai Committee. The Group is also of the view that actual charges should be payable in respect of transport to and fro from the airport where the banks' transport is not available.

6.35 Taking all the above factors into consideration, we recommend that L.T.C. should be made available to bank officers once in a block of two years to travel to the home town, and once in a block of four years to travel either to the home town or to any place in India. For this purpose, travelling allowance should be limited to full railway fare by I class by the shortest route and made admissible to the officer and his family (as defined earlier under transfer travelling allowance).

Transfer Compensatory Allowance/Mid-academic Year Transfer Allowance

6.36 A transfer compensatory allowance is intended to compensate the officers for the inconveniences and hardships incidental to transfers, such as the maintenance of double establishments, incurring of additional expenses in continuing their children in the same schools until the end of the academic year, etc. The existing practices in the banks are summed up in Statement 12. This allowance is being paid in nine banks out of which even banks relate the payment to the area/city to which the officer is transferred, one gives double the rate for transfers outside the State, and another pays a flat rate allowance of Rs. 125/- per month for a period of 12 months. In the State Bank of India this allowance is admissible only in case of transfers in the middle of the academic year and is designated Mid-Academic Year Transfer Allowance, payable till the end of the academic year. The rate is related to the place from which the officer is transferred, being Rs. 150/- for the metropolitan cities and Rs. 100/- for other places.

6.37 As the payment of the usual transfer travelling allowance will cover only the expenses of travel and transport of personal effects and it will not compensate the officers for the dislocations, hardships and additional expenses caused by transfers from one place to another, we have already recommended the payment of a lumpsum grant on transfer. Therefore, there is no case for a further transfer compensatory allowance. However, this does not cover the problems caused by transfers in the middle of the academic year to officers having school-going children. The State Bank system has much to commend it. We recommend that a mid-academic year transfer allowance may be paid to officers having one or more children in secondary school, or college in the place from which they are transferred provided the transfer is not at their own request. Though it may be rational to relate this allowance to the number of children and the standard reached by

them, we think that in the interests of simplicity a flat rate allowance is preferable. We recommend a mid-academic year transfer allowance of Rs. 100/- per month payable up to the end of the academic year in which the officer is transferred. As there is today differences in the academic year adopted between Higher Secondary and Cambridge courses and between universities the allowance may be paid till the close of the academic year of that child whose term ends last.

6.38 The Confederation has in addition to the mid academic year provision demanded a transfer allowance of 20% of pay with a minimum of Rs. 200/- per month till such time as the officer is re-transferred to his original place. We are unable to agree to this demand as transfer is a normal incidence of service and the bank officers are expected to have an all-India transfer liability.

Conveyance Allowance**

6.39 In all, except one, of the nationalised banks a conveyance allowance is being paid to the officers from branch managers upwards. This is intended to encourage officers to have their own conveyances for greater mobility in the interests of business. In some cases, therefore, this is called a car maintenance allowance. In a few banks the quantum of this allowance is linked to the volume of business of a branch or the profits earned. There is no conveyance allowance for the general run of officers in government except those with extensive touring within a limited area.

6.40 In the changed situation today, arising out of the energy crisis and the pressing need for conserving oil resources, we have found it necessary to do some re-thinking on the rationale of this allowance. The present policy of the Government is to encourage the use of public transport as far as possible and the tax laws have also been modified to promote this objective. The banks generally provide cars/jeeps for the use of their officers wherever the business warrants it. We have suggested elsewhere that bank cars should be treated as intended primarily for official purposes and should be available for all such purposes to the bank even when one officer is put in charge of it. We have, therefore, recommended that bank cars should be used for private purposes only when they are not required for official purposes and in such cases it should be paid for by the officers using them. In this connection, we wish to emphasise that as is the case with government staff cars, the use of bank cars for trips from residence to office and back should be treated as private. As it is possible that bank cars may not be available in some places, or are not available in sufficient number for all purposes, officers may be required on some occasions to hire conveyances or use public transport or use their private vehicles for the bank's business. We recommend that when officers use their private vehicles for official purposes, the banks should com-

** Statement 13.

pensate them for the expenditure involved at reasonable rates to be fixed by the banks. Where conveyances are hired, or public transport is used, the officers will be entitled to reimbursement as per T.A. rules obtaining for journeys on duty. In the light of the above, we further recommend that the conveyance allowance or its equivalents now being paid may be discontinued.

Deputation Allowance @

***6.41** Deputation allowance as commonly understood in Government is an allowance in addition to pay or salary for special temporary duty outside the field of regular appointment on an ex-cadre basis. Only four nationalised banks have reported payment of an allowance of this kind, to officers posted at the Staff Training College. In two of them it is called a deputation allowance, but in the others it is called a 'post' allowance. Apart from Staff Training Colleges and Centres, the banks at present do not generally have occasion to depute their officers for duties outside their regular banking work. However, in view of the principles governing transferability of officers between banks which we have adumbrated elsewhere, we visualise the prospect of more officers being deputed to other banks for short periods. Taking all these factors into consideration, we recommend as follows: (1) when an officer is posted to work in a training institution run by the same bank or jointly with other banks, he should be deemed to be on deputation and paid a deputation allowance at the rate of 10 per cent of his basic pay, (2) when an officer is sent on deputation outside his parent bank, he should be entitled to draw, at his option, the pay and allowances attaching to the new post or receive his grade pay and allowance plus deputation allowance at the rate of 20 per cent of his basic pay.

Deputation Allowance [9]

> *The Group does not consider it necessary to pay any deputation allowance for officers working in training institutions run by the same bank or jointly with other banks.*

Officiating Allowance**

6.42 Five nationalised banks have reported the payment of an officiating allowance to an officer who is required to officiate in a higher post. Two banks pay this on the basis of a percentage of his own basic pay, while in one bank the allowance is equal to the

@ Statement 14.

** Statement 15.

* 9 Modification suggested by the Group of Bankers.

difference between the basic pay of the incumbent and the basic pay of the post temporarily held by him. There is also a system of paying what is called an 'acting allowance' when an officer acts in another post carrying higher emoluments by way of allowances, etc. For all practical purposes, this may be treated as an officiating allowance. Clerical staff in banks are paid an officiating allowance when they officiate in higher posts for a period of not less than ten days. In the State Bank of India also, officiating allowance is payable subject to a minimum of Rs. 50/- and maximum of Rs. 150/-. In Government there is no officiating allowance as such, but a charge allowance is paid in certain circumstances and employees officiating in higher posts for periods of not less than 30 days are entitled to draw the pay of the higher post.

6.43 It is only fair that officers called upon to perform more responsible duties in an officiating capacity for a reasonable length of time should be adequately compensated for the higher responsibilities they shoulder. We therefore, recommend that an officer officiating in a higher post for not less than *10 days* should be paid an officiating allowance equal to the difference between the basic pay of the higher post and his own basic pay, together with special allowances, if any, attaching to the higher post.

Allowances to Senior Management Personnel@

6.44 Six of the nationalised banks are paying a special allowance to their senior management personnel. Apparently this is intended to compensate these officers for their heavier duties, responsibilities, etc. In one of the banks the allowance is called "Establishment and Maintenance Allowance." The amounts paid generally range between Rs. 100/- and Rs. 300/-, but there is one case where it is as low as Rs. 60/- and another where it is as high as Rs. 500/-. It is noteworthy that this system is prevalent mostly in banks where the senior executives are relatively low paid though all banks with lower scales at this level have not resorted to it. As our standardised pay structure would adjust the grades and scales to levels of responsibility, there is no reason why such an allowance should continue. We recommend that the existing allowance to senior management personnel be abolished when they are fitted into the new scales.

Onerous Duty/Discomfort Allowance*

6.45 Five of the nationalised banks pay a Discomfort or Onerous Duty Allowance to certain special categories of officers like Inspecting Officers, Security Officers, Managers of specially heavy branches and Electrical Supervisors. The rates range from Rs. 10/- to Rs. 200/- per mensem. In one bank the Inspectors are also paid

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@ Statement 16.

* Statement 17.

a servant allowance, a type allowance, and an over-stay allowance, besides a supplementary diem allowance. The State Bank of India pays a special allowance to branch inspectors at 15% of pay subject to minimum of Rs. 90/- and maximum of Rs. 200/- per mensem.

6.46 We feel that barring inspection staff there is no justification for payment of these allowances on the ground of discomfort or onerous duties. Even in respect of inspecting staff, a multiplicity of allowances like the instance cited above is thoroughly unjustifiable. The majority of the banks do not pay any such allowance, but only a supplementary diem allowance to compensate them for the extra expenses when they go out on duty. We have already recommended the payment of a supplementary diem allowance in such cases. In the circumstances, we recommend that all the existing allowances mentioned above may be abolished.

Post Allowance, Branch Allowance, Duty Allowance and Personal Allowance**

6.47 (*a*) *Post Allowance:* In eleven banks, officers are being paid a post allowance when they hold posts which involve higher responsibility or workload than warranted by their basic pay. This practice is rampant in a few banks which have running scales or where there is a system of functional promotions as distinguished from grade promotions. It has led to much discontent among officers whose juniors have been posted to higher positions of responsibility. It has also led to abuses, such as the continuance of the post allowance even when a person shifted from a post carrying such an allowance to one which does not. We are of the view that higher responsibilities or workloads should be rewarded with higher pay and officers in appropriate pay scales should be posted to discharge them. Our pay structure is designation designed in such a way that positions at different levels of responsibility can be distinguished and only officers in corresponding grades/scales will hold those positions. Though at the initial stage the fitment of officers may take some time, once the system comes into vogue, officers promoted to posts carrying higher responsibilities will get correspondingly higher scales of pay. In the circumstances, there is no place for a post allowance in the new pay structure. We, therefore, recommend that with the introduction of the standardised pay structure, the system of post allowances should be abolished in all the banks.

6.48 (*b*) *Branch Allowance:* A branch allowance is only another form of post allowance. Some of the banks have introduced a system of classification of branches according to certain norms and are paying the branch allowance at varying rates related to the class to which the branch belongs. For the branch managers/agents, the quantum of allowance ranges from Rs. 40/- to Rs. 100/- p.m.

** Statements 18 and 19.

We have also emphasized the need for a proper classification of branches according to certain recognised norms. But this is for the purpose of posting officers in appropriate grades/scales to each branch according to the class to which it belongs. In other words, a branch in a higher class should be differentiated, if need be, by posting a manager drawing a higher scale of pay and not by paying the manager an allowance. We, therefore, see no reason to continue the branch allowance and we recommend its abolition.

6.49 (c) *Duty Allowance* Duty Allowance according to the prevailing practice is an allowance to officers entrusted with particular charges. Only one bank has reported the payment of this allowance. The fact that this bank does not have a system of post allowance leads us to conclude that the duty allowance is only another name for a post allowance. As such, all the arguments adduced above for the abolition of post allowance should apply equally to the duty allowance also and we recommend its abolition.

6.50 (d) *Personal Allowance:* Personal allowances are those which are paid to particular persons. The most common cases are those intended to protect existing emoluments and to reward higher qualifications. Protection of existing emoluments in the present set-up is often done by giving personal allowances, especially in those banks which have a running scale. An officer posted from a higher job to a lower one is often given a personal allowance to protect his emoluments in his previous posting. This contingency will not arise when the new pay structure is fully implemented, because we visualise a system in which all posts will be categorised into particular levels or grades and only officers in corresponding grades or scales will be posted to them. However, the introduction of the new pay structure may, in the initial stages, necessitate fitment of persons in receipt of higher emoluments to posts which carry lower emoluments. In such cases, the protection to be afforded to such incumbents may take the form either of a personal pay or personal allowance, as the case may be.

6.51 Personal allowances are also sometimes paid to reward higher qualification. This method of rewarding is resorted to so that *inter se* seniority between officers may not be disturbed. But it is our view that higher qualifications should be rewarded only when they are specified requirements for the job e.g. specialists and that too by advance increments. Professional qualifications obtained while in service may be rewarded, if need be, not by personal allowances, nor by advance increments, but by lump sum rewards only. We therefore recommend that the present system of personal allowance as a corollary to running scales of pay should be abolished; but personal allowances to protect existing emoluments of officers in the process of fitment into the new pay structure may be resorted to as a transitional measure.

Closing Allowance

6.52 This is an allowance paid to officers for the extra work put in at the time of making up of books/accounts, etc., at the close of each half year ending June and December. The allowance is being paid in all the nationalised banks. In six banks it is paid to officers actually engaged in closing work while in others it is paid to other officers also. No closing allowance is paid, however, to executives or officers at senior management level. In one of the banks the allowance is described as a lunch allowance and in another bank it is reported as being paid for lunch and conveyance.

The rates of these allowances vary and are shown in detail in Statement 20. In the State Bank of India, closing allowance is paid at a flat rate of Rs. 300/- per annum to all officers drawing a basic pay of up to Rs. 1500 per mensem. The rationale for the closing allowance is to compensate the officers for the extra work at the time of closing and for out-of-pocket expenses incurred in working late hours. Some of the banks pay certain other allowances also for late sitting at times other than when books are closed. There is a special clearing allowance in one bank for extra work on clearing cheques. In another bank, there is an agitation allowance for long hours of work necessitated at the time of agitations of the staff. In a third bank a compensatory allowance for overtime work is paid in addition to closing allowance.

6.53 We are generally against the payment of allowances for extra work to officers as their scales of pay and allowances have been designed taking into account the need for officers to sit late hours when there is pressure of work. The payment of allowances for extra work to officers under different guises has to be strictly discouraged as it would introduce the vicious practice of overtime in the officer cadre also. But the payment of a closing allowance has become a regular feature in the banking industry and we do not want to disturb this practice. But we find little justification for paying this allowance to officers who are not associated with the closing work. We therefore recommend that closing allowance should be paid only to officers who are directly engaged in the closing work at the rate of Rs. 150/- for every half yearly closing.

Split Duty Allowance*

6.54 This allowance is being paid only in seven nationalised banks and in State Bank of India. It is paid to officers working at branches where business hours are split to suit the clientele, with a minimum break of two hours. Split duty allowance is not payable to officers posted to such branches on their own request or to officers staying on the premises of the concerned branch. It is also payable to Award staff in the banks. Two of the banks pay the allowance on the basis of location of the branch in areas as per

* Statement 21.

Award classification and the others pay at a flat rate. The amounts payable range between Rs. 8/- and Rs. 25/- per mensem. State Bank of India pays it at Rs. 25/- per mensem. The logic of the allowance is well founded as the officers incur more expenses if they work in such branches either in returning to their residences during the interval or in arranging for their lunch to be brought to the branch. It also causes inconvenience to the officers in the matter of attending to household matters. We recommend this allowance may be paid at the rate of Rs. 25/- per mensem to officers performing split duty.

Test Cypher Allowance

6.55 The allowance is paid only in one bank (United Commercial Bank) to officers in the lowest grade (Grade E) who are chief cashiers and handle test cypher when there is no officer besides the Manager who can handle the cypher. The allowance was apparently intended to supplement the income of the lowest grade officers. As we do not have this level of officers in our pay structure, there is no need to continue this allowance. We recommend its abolition.

Vault Custodian Allowance@

6.56 Only five banks pay such an allowance to officers who are custodians of safe deposit vaults. This is paid in three of the banks to officers having to attend duty on bank holidays, while in two others it is payable to all custodian officers in branches where safe deposit lockers are installed as they have to keep these vaults open beyond working hours. It is payable on a monthly basis in four banks at rates varying from Rs. 20/- to Rs. 75/- per mensem, while in one it is paid as diem allownce of Rs. 30/- for working on holidays. Operating safe deposit lockers and vaults being now an integral part of the services rendered by banks to the public, bank officers entrusted with this work should be deemed as performing their regular duties. But when an officer is required to attend to operation of the vaults on bank holidays, he has to be compensated for it. We, therefore, recommend that the vault custodian allowance as such should be abolished but an officer required to work as custodian of vaults or lockers on bank holidays should be paid a diem allowance at the rate to which he is entitled.

Hill and Fuel Allowance**

6.57 Twelve of the nationalised banks which have branches in hill stations pay hill allowance to their officers. Some banks have fixed rates on a percentage basis varying from 10 to 15% of the basic pay for heights between 4000 to 5500 feet and 12 to 18% for heights above 5500 feet, subject to monetary limits. Other banks

@ Statement 22.
** Statements 23 and 24.

pay this allowance as a lumpsum ranging from Rs. 25/- to Rs. 80/- per mensem. This allowance is payable to Award staff at 10% of pay with minimum of Rs. 15/- per month for heights between 4000 and 5500 feet and 12% of pay with minimum of Rs. 20/- per month for heights above 5500 feet. In the State Bank of India the allowance is payable at a flat rate of Rs. 60/- per month to all officers at hill stations at a height of 4000 feet and above. The Third Central Pay Commission has recommended payment of hill compensatory allowance based on C.C.A. applicable in A class cities at hill stations of altitude of 1500 metres or above and C.C.A. applicable in B1 cities for altitudes above 1000 and below 1500 metres.

6.58 In addition to hill allowance, seven of the banks are paying fuel allowance during winter months (varying between 5 and 6 months) to officers at hill stations where hill allowance is paid. Three banks have fixed flat rates; minimum is Rs. 30/- and the maximum is Rs. 55/- per month. The other banks have fixed rates on a percentage basis, but subject to maxima ranging from Rs. 50/- to Rs. 60/- per month. The award staff get fuel allowance for 6 months in a year (October to March) at 10% of pay with minimum of Rs. 15/- per month and maximum of Rs. 40/- per month in places at a height of 4000 to 5500 feet and 12% of pay with minimum of Rs. 20/- per month and maximum of Rs. 45/- per month for places over 5500 feet. In State Bank of India it is paid at a flat rate of Rs. 50/- per month between October and March in stations where hill allowance is payable. The Third Central Pay Commission has recommended payment of a winter allowance to Government employees up to a pay range of Rs. 1250/- only linked to C.C.A. with minimum of Rs. 15/- per mensem and maximum of Rs. 40 per mensem in stations of and above 1500 metres and minimum of Rs. 10/- per mensem and maximum of Rs. 25/- per mensem in stations at a height of 1000 metres or more but below 1500 metres.

6.59 We consider that officers working in hill stations at an altitude of 1000 metres and above are put to some hardship and need to be compensated for working at those heights where the cost of living is higher than in the plains. They have also to be compensated for the costs of fuel for heating purpose in the winter months. We feel, however, that a composite allowance to provide for all additional costs including fuel would meet their requirements. We therefore recommend the payment of a hill and fuel allowance for officers at the following rates:

Category	*Rate*
Officers staying at altitudes of and over 1500 metres.	10 per cent of basic pay subject to a maximum of Rs. 100/- per mensem.
Officers staying at altitudes of and over 1000 metres, but below 1500 metres.	8 per cent of basic pay subject to a maximum of Rs. 75/- per mensem.

Water Scarcity Allowance*

6.60 This is paid by six of the nationalised banks to compensate officers in certain places for extra cost of fetching water. The number of places where this allowance is admissible is not large and some of the banks are paying only at 4 places. The rates vary from Rs. 10/- to Rs. 25/- per mensem. In one bank, however, apart from water scarcity allowance, a water fetching allowance of Rs. 50/- per month is paid to officers in rural branches. The allowance is paid to clerical staff at the rate of Rs. 10/- per mensem in places declared as water scarcity areas. This allowance is not payable in the State Bank of India. We do not consider it appropriate that such trivial allowances should be paid to officers, howsoever justifiable. It may be paid in the case of Award staff. The fact that this practice does not obtain in the majority of the nationalised banks as well as in the entire State Bank Group is significant. We recommend that this allowance may be discontinued wherever it is being paid.

Foreign Branch Allowances

6.61 These allowances have to be related to the cost of living in the cities where these offices are located and also to the facilities generally admissible to bank officers in those areas. It would be difficult, therefore, to standardise these allowances and facilities and we recommend it may be fixed by the individual bank management. However, if in the same foreign city two or more nationalised banks have their branches, a uniform pattern for such allowances and perquisites may be fixed by mutual consultation by the concerned managements.

Sundry Allowances

6.62 We have come across random instances of payment of sundry allowances like kit allowance, training allowance, etc., in certain banks which did not deserve separate treatment. Though the monetary impact of such allowances is insignificant, they tend to generate competitive demands in other banks. We, therefore, recommend that sundry allowances obtaining in some of the banks only should be discontinued.

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* Statement 25.

CHAPTER 7

AMENITIES, FACILITIES AND BENEFITS IN KIND

7.1 Amenities, facilities and benefits in kind enjoyed by officers in banks include also non-monetary benefits described in business parlance as perquisites or 'perks'. While these are generally available to the officers in all the nationalised banks, there are variations in the nature and quantum of perquisites between banks. Many of these are vestiges from the days when these banks were companies under private ownership, and consequently the perquisites given to the officers in each bank depended upon the capacity of the bank as also the attitude of the managements. However, the multiplicity of such benefits and the lavish scale in which they are given in some of the banks have been the subject of public criticism ever since the days of nationalisation. We have also come across several wasteful practices as well as instances of abuses of the privileges conferred. Some banks include under items freely supplied not only furniture but also furnishings, drapery, crockery and luxury articles like refrigerators, airconditioners, etc. We had reports about officers who had ordered new furniture suited to their own tastes whenever they were transferred from one station to another, and officers who chose to transport the banks' furniture including crockery, etc., to the place of posting, even though furnished accommodation was available at the other end. It is also alleged that there are cases of officers on the eve of retirement getting the book value written down after a few months and taking away the same furniture on retirement at the nominal book value. The representatives of the All India Bank Employees' Association were highly critical about the manner in which entertainment allowances which are intended to promote business were being utilised for entertaining friends and relatives. It is also reported that telephone facilities, especially STD, are being misused for personal purposes and the expenses debited to the bank account.

7.2 It would be wrong to generalise about the conduct of bank officers from the alleged instances of extravagance or misuse whose veracity remains to be proved. Nevertheless, we are left with the impression that certain steps have to be taken to protect the image of the bank officer as a servant of the public. Now that these banks are public sector institutions accountable to Parliament and several of them are working on a low margin of profitability, the general public are prone to view with concern any extravagance in the perquisites given to officers and the continuance of the wasteful practices which indirectly touch the pockets of the tax payer. While it is the function of the managements of these banks to put down such abuses and wasteful practices, our main task will be to subject the amenities and perquisites now in vogue to careful scrutiny and recommend only such benefits which are reasonable and generally

consistent with those available to officers in other public sector undertakings.

Medical aid

7.3 All the nationalised banks are reimbursing the cost of medical treatment to their officers and their families up to a fixed monetary limit. But there is no uniformity either in the definition of the family or in the mode and quantum of payment. The general practice is to reimburse medical expenses on the basis of bills, vouchers, etc., but in one bank a health allowance is paid without the necessity to produce bills, etc. A few banks have related the maximum amount of payment to the location of the office. One bank has a graded schedule of limits according to the pay range of the officers. The limits of reimbursement range from Rs. 150/- to Rs. 400/- per annum. Officers are also permitted to accumulate the entitlement for a period of three years generally and 5 years in two banks only. Most of the banks have made separate provision for reimbursing the cost of hospitalisation of their officers and their families. Two of them have a hospitalisation insurance scheme for this purpose. Two others are reimbursing the cost of hospitalisation up to 75 per cent for officers and 50 per cent for their family for certain specified diseases of long duration including major accidents. Partial reimbursement of hospitalisation expenses is allowed in some other banks on the production of bills, etc.

7.4 The payment of medical expenses to the Award staff is now related to the number of years of service put in by the employee. For workmen with service up to 10 years, a limit of Rs. 150/- per annum has been prescribed and for those with service above this period the limit is Rs. 160/- per annum. The unspent amount during a year can be accumulated up to the limit of three times the above maxima. The Award staff is also entitled to reimbursement of the hospitalisation charges up to the extent of 75 per cent in the case of the employee himself and 50 per cent in the case of members of his family, in case of certain specified diseases, requiring long treatment including major accidents necessitating hospitalisation. For this purpose the family is defined as consisting of spouse, wholly dependent children and wholly dependent parents.

7.5 State Bank of India reimburses the total cost of medical attention and hospitalisation to its officers and 75 per cent of the cost in respect of members of the family. The family excludes children having income of more than Rs. 100/- per mensem, married children and children above 24 years of age but includes widowed daughter.

7.6 The medical facilities available to officers under Government are of a different pattern being related to the Central Government Health Scheme or tied up with treatment by authorised medical attendants in authorised hospitals. These facilities are available

also to children and parents living with and wholly dependent upon the government servants.

7.7 We recommend that medical aid facilities should be available to officers of the nationalised banks and their families. The family for this purpose may be defined as consisting of spouse, wholly dependent children and wholly dependent parents.

7.8 We are of the view that the existing pattern in the banks of allowing reimbursement of cost of *treatment of diseases not requiring hospitalisation* in the case of officers and their families may be allowed to continue. But the present system of reimbursement on the basis of bills, etc., has given rise to several malpractices and inconvenience to the officers. It has also added to the clerical work load in the banks in passing the bills for payment. We, therefore, recommend that reimbursement of medical expenses of an officer and his family should be done on the strength of the officer's own certificate of having incurred such expenditure, supported by a statement of accounts for the amounts claimed.

*7.9 Regarding the fixing of maximum limits for such reimbursement, we feel that there should be uniformity in the 14 banks. As doctors are known to follow, the principle of charging 'what the traffic will bear', the expenses on medical treatment for officers in the higher income brackets are bound to be higher than those in the lower ones. We, therefore, feel that some differentiation between different grades of officers in respect of monetary limits for reimbursement would be reasonable. We recommend the following maxima for reimbursement of medical expenses of officers in different salary ranges:

Basic pay range	*Reimbursement limit per annum*
Officers drawing Rs. 700-1200 per mensem	Not exceeding Rs. 300/-
Officers drawing Rs. 1201-2000 per mensem	Not exceeding Rs. 400/-
Officers drawing Rs. 2001 and above	Not exceeding Rs. 500/-

As these reimbursements are to be done on the basis of their annual accounts of medical expenses incurred, we do not recommend accumulation beyond one year. However, 'on account' payments may be made at the end of the half year, limited to half the total entitlement for the year.

* See modification suggested by the Group of Bankers on next page.

Hospitalisation expenses

*7.10 We would recommend the following scheme of reimbursement for adoption by all the nationalised banks:

(i) Hospitalisation charges may be reimbursed to the extent of 75 per cent in the case of the officer and 50 per cent in the case of his family members in respect of all cases which require hospitalisation;

(ii) The reimbursement may be restricted to the following charges :

(a) Charges for bed limited to a maximum of Rs. 30/- per day in metropolitan cities and Rs. 20/- per day in other places;

(b) Hospital charges excluding charges for board;

(c) Diagnostic material charges, X-Rays, Pathological Tests, ECG, etc.;

(d) Medicines and Drugs except tonics;

(e) Surgeon's fees including Anaesthetists', Blood transfusion and dialysis;

(f) Operation Theatre charges;

(g) Physician's and Consultant's fees.

(iii) The officers or members of their families (as the case may be) will be expected to secure admission in a Government/Municipal Hospital or any private hospital (*i.e.* hospitals under the management of a Trust, Charitable Institution or a religious Mission). But in unavoidable circumstances, the officers and/or their family members may avail themselves of the services of one of the approved private nursing homes/private hospitals approved by the bank. Reimbursement in such cases should, however, be restricted to the amount which would have been reimbursible in case the patient was admitted to one of the hospitals mentioned above.

(iv) In the case of hospitalisation expenses, however, we recommend that reimbursement should be on the basis of bills, vouchers, etc., of expenses incurred.

Medical Aid[10]

At present, some of the banks have a contributory health insurance scheme. Medical aid being in the nature of a social security benefit, it should not be reduced from

* 10 Modification covering paras 7.9 to 7.10 suggested by the Group of Bankers

what it is now. While the present level of reimbursement as indicated in the report should be broadly accepted as guidance for banks, which have not reached that level, others who are already having a more comprehensive medical aid scheme, should not be required to wind up such schemes. Wherever any bank desires to pursue the health insurance scheme involving payment of premium, within the reimbursement limit indicated in the Pillai Committee's recommendation, it should also be encouraged.

'Free house'

7.11 The general practice in these banks is to provide branch officers/agents with free houses, wherever possible. Some of the higher officers are also provided free houses either owned by the bank or taken on lease by the bank. Where houses are not provided in this manner, officers are permitted to hire suitable houses subject to maximum limits for reimbursement of rent. Officers below the level of branch managers/agents are seldom given free houses, but are eligible to get house rent allowance. In the case of senior officers/top executives, several banks not only give free furnished houses, but also meet the charges for electricity, gas, water, airconditioning, etc. According to the terms and conditions stipulated by Government for the Chairman and Managing Directors of nationalised banks, they are entitled to a rent free unfurnished house but they have to bear the charges for water, electricity and fuel.

7.12 In the State Bank of India, rent free houses are provided to staff officers, officers who are branch managers or holding equivalent posts and other officers at certain cities. In the Central Government, free houses are provided in those rare cases, in which the nature of work demands that officers should stay in the premises of the office itself. In all other cases where accommodation is provided, rent is charged at the standard rate or 10 per cent of the basic pay of the officer, whichever is less. In public sector undertakings also officers provided with houses are required to pay 10 per cent of the basic pay as rent.

7.13 In the case of officers of banks not provided with accommodation, we have already recommended a house rent allowance which presupposes that the officer pays 10 per cent of his basic pay towards the rent of the building hired. There is no reason to discriminate between one class of officers and another in the banks. Rent is a liability of the employee who can expect assistance from the employer only where accommodation cannot be had at a rent amounting to 10 per cent of his own salary, which is considered normal proportion of expenditure for this item. While the provision of accommodation especially to branch managers is dictated by the interests of the business, we are unable to find any reason why this accommodation should be provided free. We would

strongly recommend that this practice of providing free houses should be put an end to and all officers accommodated in houses provided by the bank should be required to pay 10 per cent of the basic pay or the standard rent, whichever is less. In the case of houses owned by the bank the Central Government procedure for the calculation of standard rent may be adopted, while for houses hired by the bank the contractual rent may be treated as the standard rent.

7.14 Further, we recommend that wherever residential accommodation is provided by the banks, electricity, water, gas and other conservancy charges should invariably be paid by the officers concerned and not by the bank.

Free furniture and furnishings

7.15 According to the existing practice, most of the banks provide free furniture and furnishings along with free houses. The entitlement of these items is related to the grade of the officers concerned. That the banks are generally incurring sizeable expenditure in this regard is shown by the fact that in one bank the admissible outlay on furniture, etc., ranges from Rs. 5,900/- for branch managers to Rs. 46,000/- for Assistant General Manager and above.

7.16 In the State Bank of India also, free furniture and furnishings are provided along with free houses. In the Central Government, officers are not entitled to free furniture and furnishings. In public sector undertakings too the general class of officers do not enjoy this privilege.

7.17 So far as the banks are concerned, provision of furniture in the houses owned or hired by them for the use of the officers is a desirable practice as it saves much time and trouble for the officers and much expense for the bank in paying for the transport of the officers' furniture from one place to another. However, we consider two things important, and recommend accordingly:

(i) The scales on which the furniture is provided should be reasonable and not lavish. In other words, only utility or functional furniture should be provided and not luxury items such as airconditioners, refrigerators, etc.;

(ii) The officers' should be required to pay reasonable hire charges for the furniture provided.

7.18 Furnishings have to be treated on a different footing from furniture. Further, furnishings, such as linen, drapery, crockery, etc., are highly personal items which any officer should be expected to acquire for himself. As these have to be replaced frequently,

due to wear and tear or breakages or due to changes in tastes of officers, the incidence of this facility on the banks is bound to be heavy. The practice of providing furnishing is a relic of the old company days which cannot be justified under public ownership. We, therefore, recommend that the practice of providing furnishings to the officers should be discontinued.

Free servants

7.19 Two banks have reported payment of a servant allowance to their officers. In one of them the allowance is payable when a servant is not provided. The management of another bank have stated in their oral evidence that the Establishment and Maintenance allowance paid to their executives is intended also to pay for servants for the upkeep of the houses provided by the bank. The State Bank of India practice is to provide servants for maintaining the houses allowed to the officers, if they are large or have gardens attached.

7.20 We feel that it is not a desirable practice either to give a servant allowance to officers or to provide servants and we recommend the abolition of these practices. The banks may, however, employ maintenance staff to maintain their buildings and gardeners, if need by, to look after the gardens, but such staff should be attached to the bank and not treated as servants of the officers.

Free Car and Driver

7.21 Most of the nationalised banks are providing a free car to some of their senior officers. But in some banks the officers provided with cars are required to pay Rs. 75/- per mensem for the personal use of the car. In one bank, senior officers are given interest free loans, to buy a car and the bank pays taxes and insurance as also a monthly allowance for car maintenance which would partly cover the running expenses also. The Chairman and Managing Director of a nationalised bank is entitled to the free use of the bank's car for official purposes, but he is required to pay for the private use of the bank's car.

7.22 In the State Bank of India, free cars are being provided to the Managing Director, Deputy Managing Directors and Secretaries. For the private use of the car, they are required to pay Rs. 75/- or Rs. 125/- per mensem, depending on the size of the car.

7.23 Some of the nationalised banks are providing a free driver also along with the car while others reimburse the salary of the driver subject to a prescribed maximum. In one bank, officers are expected to drive the cars provided to them and bank pays a lumpsum of Rs. 250/- towards expenses of learning driving. In the State Bank of India, the Managing Director, Deputy Managing Directors, and Secretaries are being provided free drivers.

7.24 We do not favour the present system of the banks providing a free car to the senior officers. This system permits the officers to use the cars for their personal purposes also at the expense of the bank. Considering the nature of the business of banks, the facility of having bank cars for official purposes is no doubt necessary. In Government also, the system of having staff cars for different Ministries/Departments is in vogue. The practice of attaching the car to some senior officer has much to commend it as the car would be under a single control and be better maintained than when it is for the use of the staff in general. But the objection to the present system is in respect of the personal use of these cars free of charge by the officers concerned. We recommend that all bank officers provided with cars should be required to pay for the use of the bank's cars for private purposes either on a mileage rate or on a monthly rate to be fixed by the banks concerned, taking into account the horsepower of the car and the running expenses incurred.

7.25 Regarding bank cars put under the charge of senior officers, their repair and maintenance, taxes and insurance, as also running expenses will be the responsiblity of the banks and the cars should be available for all official purposes to the bank. Further, bank cars can be put to private use only when they are not required for official purposes. In the matter of drivers for such cars, banks may either pay a monthly amount to the officer for engaging a driver or provide a driver from the general establishment of the bank.

Loans

7.26 The following types of loans are being given by banks to officers at concessional rates of interest:

1. Loans for flood/droughts
2. Loans for purchase of consumer goods
3. Winter/warm clothing loans
4. Loans for children's education
5. Loans for children's or own marriages
6. Festival loans
7. Loans for registration of telephones under OYT Scheme
8. Loans for booking car and scooter
9. Loans for purchase of conveyance (car and scooter/motorcycle)
10. Loans for purchase of land/house or construction, extension or renovation of house.

It will be seen from the above list that there is a multiplicity of loan facilities available to the officers. Of these, items 9 and 10 are the most common and are available in all the banks. Payment of flood/drought loans has been reported by 12 banks, loans for con-

sumer goods by 6 banks, loans for winter clothing by 2 banks, loans for children's education by 3 banks, for children's marriage by 4 banks, for own marriage by 1 bank only, festival loans by 3 banks and loans for registration of OYT telephones/cars/scooters only by 1 bank. Some of these loans such as for flood/drought and festivals are interest-free. Car loans are also interest-free in eight banks, while in others interest charges vary from 2 per cent to 6 per cent. For loans for the purchase of consumer goods, one bank charges no interest, while others charge about 4 per cent only.

7.27 The first question that arises in respect of these loans is the rationale of giving them at concessional rates of interest. These facilities have come in for a good deal of public criticism and it is alleged that interest-free or concessional loans on different pretexts are merely concealed subsidies, as the money so drawn is often deposited in the same bank at preferential rates of interest. On the other hand, it is argued in support of bank employees that banks deal in money and just as railway officers are given free or concessional passes for rail travel, the bank officers are also given money loans either free of interest or at concessional rates. In this connection, it is important to note that the Public Accounts Committee of Parliament has been severely critical of the practice of free passes in railways and the Third Central Pay Commission has recommended a drastic reduction in this facility. We feel that there is much less justification for concessional rates of interest to bank employees than travel concessions to railwaymen because the banks are dealing with other people's money *on trust*.

7.28 The second question is, under what circumstances loan facilities at concessional rates of interest should be permitted. We would commend two principles for the guidance of the banks in this regard: firstly, the loans should be limited to essential purposes only, and secondly, the concessional rates should be related to the extent to which the bank's own interests are served by these loans. Judged by these criteria, all except the last two items in the above list are found to be unjustified. Flood/drought loans and festival loans are relevant only for persons in low-income groups, who cannot meet the situation from their regular income. Loans for the purchase of consumer goods are wrong in principle at a time of inflation when all efforts should be directed towards curtailment of consumption. The other loans given in a few banks are only minor ones which inflate the list of loans without giving material benefit to the officers. None of them can be said to serve the bank's interests in any manner.

7.29 The case for car/scooter loans and house loans, however, stands on a different footing. An officer owning a conveyance can be more effective in promoting the bank's business than one who does not. Therefore, a car/scooter loan at concessional rates may be justified. This loan facility may be extended to other

modes of conveyance also. In the case of house loans also, the acquisition of a house by the officer obviates the necessity for the bank to provide accommodation with all its incidental difficulties and costs. Further, some banks impose a condition for the grant of house loans that if the employee does not occupy the house himself the first preference should be given to the bank to take the house on rent for accommodating its staff, not at the market rate, but at rates related to the investment. Under this scheme one of the banks has been able to take over a large number of houses in the Bombay City for the use of its employees. Thus the bank's interests are also partly served by such loans. We, therefore, recommend that the practice of granting loans listed as numbers 1 to 8 above be discontinued and only conveyance loans and house/site loans should be allowed at concessional interest rates to officers.

7.30 The third question is what concession in interest rates should be allowed to bank officers for the above two loans. As the responsibility for providing conveyance facilities for officers for doing the bank's business rests with the bank itself, we see no justification for giving interest-free loans to officers for the purchase of cars/scooters, etc. The concessional rates of interest now charged for car loans and house loans are too low, considering the prevailing market rates of interest. Under the differential interest rate scheme now in vogue, even the weakest sections of the community are not allowed loans at less than 4 per cent. The bank officers represent a strata of society which is much better off than these categories. Therefore, we think it proper that the concessional rates of interest charged for loans to the officers should be higher. We now turn to the recommendations regarding appropriate interest rates and other terms and conditions for the grant of conveyance and housing loans whose continuance we have recommended:

(a) Loans for the purchase of conveyance

7.31 Loans for the purchase of cars are given in 13 out of the 14 nationalised banks to officers drawing above a certain basic pay or occupying a senior position in banks. The minimum salary for eligibility ranges from Rs. 800 to 1000/-. In State Bank of India, the minimum salary is Rs. 785/- while in Central Government it is Rs. 900/- (pre-Pay Commission Scale). The maximum amount admissible is based either on quantum or expressed as a percentage of the cost of the car. It varies between Rs. 6000 and Rs. 25,000/- or between 60 per cent and 100 per cent of the cost of the car. In State Bank of India, the advance is limited to 12 months basic pay plus D.A. or 80 per cent of the cost or Rs. 20,000/- whichever is less. In Central Government, the advance is limited to Rs. 16,000/- *i.e.* 16 months pay or the cost price whichever is less. The period of repayment to the bank varies between 36 and 100 months. In 5 banks the maximum period is 60 months. In State Bank of India, the maximum number of instalments is 84 while in the Central Government it is 80. The loan is interest-

free in 8 banks and in the remaining banks interest is charged between 5 to 6 per cent. The rate is 2½ per cent in State Bank of India while in Central Government the rate is announced every year, it being 5½ per cent for 1973-74.

7.32 As regards loans for purchase of scooters/motorcycles, in 4 banks, all officers are eligible. In 3 banks, only permanent officers are eligible, while in two others only branch managers or selected field officers are eligible for such loans. In Government, only employees drawing a basic pay of not less than Rs. 750/- per mensem are eligible. The maximum amount admissible is either a quantum (varying between Rs. 3000/- to 4500/-) or based on a percentage of cost (which varies between 75 per cent to 100 per cent). In State Bank of India, six months basic pay plus D.A. or 80 per cent of the cost or Rs. 4000/- whichever is least is admissible while in Central Government it is limited to Rs. 3000/-. The number of monthly instalments in which loan is recoverable varies between 36 and 60 in these banks. In State Bank of India and Government the loan is recoverable in 60 instalments. In most banks no interest is charged while in 5 banks the interest charged ranges from 2 per cent to the bank rate. The interest charged in State Bank of India and Government is the same as for car loans.

7.33 Taking all the above differing practices into consideration, we recommend the following terms and conditions for the sanction of such loans to officers in the nationalised banks:

	Loans for purchase of car	*Loans for purchase of scooters/motorcycles and other conveyances*
Eligibility	Officers drawing basic pay of Rs. 1200 and above may be eligible.	All confirmed officers may be eligible.
(*N.B.:* Loans will be admissible for the purchase of car or scooter).		
Maximum amount payable.	80% of the cost of the car subject to a maximum of Rs. 20,000/-.	90% of the cost of the vehicle subject to a maximum of Rs. 4000/-.
Number of instalments.	Should be repayable with interest in 60 months.	Should be repayable with interest in 60 months.
Rate of interest.	1% less than the bank rate at the time of sanctioning the loan.	1% less than the bank rate at the time of sanctioning the loan.

(b) **Loans for purchase of land/house or construction, extension or renovation of house**

*7.34 The minimum period of service for eligibility for such loans in the nationalised banks ranges from three to eight years. In 5 banks the period is 5 years. In State Bank of India it is given only to permanent officers with minimum service of 5 years or 30 years of age whichever is earlier. In Government it is given to permanent employees or those with 10 years continuous temporary service provided no loan has been taken for the purpose from any Government source. The maximum amount admissible ranges between 20 months' to 100 months' basic pay or between Rs. 42,000/- to Rs. 1,00,000/-. The margin on cost varies between 75 to 90 per cent. In State Bank of India, the limit is Rs. 35,000/- for junior officers and Rs. 50,000/- for senior officers. In Central Government the maximum is 75 months' pay or 80 per cent of true cost whichever is less subject to a maximum of Rs. 75,000/-. The maximum period of repayment varies between 15 and 25 years in banks. In State Bank of India and Central Government, it is 20 years. The rate of interest varies between 3 per cent and bank rate in the nationalised banks. In State Bank of India loans under the bank's co-operative housing scheme are interest-free.

*7.35 Keeping in view all the above factors, we recommend the following terms and conditions for the grant of housing loans to officers in the nationalised banks:

Eligibility	All confirmed officers with 5 years' continuous service in the bank may be eligible, provided they are not in receipt of any house loans from any other institutional agency.
Maximum amount admissible	It should be calculated at the rate of 50 months' basic pay or 80 per cent of the actual cost whichever is less, subject to a maximum of Rs. 80,000/-.
Period of repayment	20 years.
Rate of Interest	Bank rate prevalent at the time of sanction of loan subject to a minimum of 5 per cent per annum.

Loans [11]

The Committee considered the recommendations regarding the rate of interest for both conveyance loans and housing loans. At present most of the banks are

* 11 Modification (covering paras 7.34 to 7.35) suggested by the Group of Bankers.

giving loans for these purposes at around three to four per cent and in certain banks without any interest. It is considered by banks that for officers working at certain posts, acquisition of a vehicle may be to improve their efficiency. The Group recommends that loans for vehicles may be recovered in 84 monthly instalments instead of 60 instalments. Similarly, loans extended for housing is considered a social responsibility. The Group feels that the proposal to charge loans for these purposes at bank rate or 1 per cent below the bank rate may amount to stepping up rather sharply these rates of interest from the present level. Besides, changing the rate with the rise or fall of the bank rate may also give rise to a situation where loans are granted at different rates to different employees and in respect of a co-operative society, different rates for different members. The Group considers that a uniform rate of six per cent per annum on such loans would be just and reasonable.

Preferential Interest Rates on Deposits

7.36 In 12 of the nationalised banks, interest on fixed deposits by officers is 1 per cent more than the rate payable to customers. Of the remaining two banks, one pays only half per cent more while the other pays 1½ per cent more than the prevailing rate. This concession to officers is similar to the one given to Award staff in banks. In the State Bank of India, the rate of interest allowed on deposits by the staff and officers is 1 per cent higher than the normal rate applicable to the constituents, but a ceiling for such deposits is fixed at three years' substantive pay of the employees. We find that this is a well established commercial practice in the banking system, and we do not wish to disturb it. But it would be desirable to have some uniformity in this matter among the 14 nationalised banks.

*7.37 We recommend: (1) Bank officers may be allowed 1 per cent additional rate of interest over the ruling rate in respect of all fixed deposits; (2) This facility should be confined to the deposits of the officer made individually or jointly with his wife and should not be extended to his relatives; (3) The practice now obtaining in one bank of paying interest at 2 per cent on current accounts of officers as well as their deposits for 14 days or less may be discontinued.

Preferential Rate of Interest on Deposits [12]

The preferential rate of interest suggested should be made available for the savings and recurring deposits also. It should also be extended to dependent minor children.

* 12 Modification (covering para 7.37) suggested by the Group of Bankers.

Subsidised meals

7.38 Three of the nationalised banks have reported the existence of a system of subsidised meals. In two of them the facility is of a composite nature for the entire staff while in the other it is limited to officers of a particular rank and above at head office only. State Bank of India meets the costs of administration of officers' messes run at all head offices in large centres, leaving the officers themselves to meet the costs of food. We consider that it would be desirable to provide common canteen facilities to officers rather than give them subsidised meals.

Incentive payments

7.39 These are payments made by the banks on an *ad hoc* basis or as part of a well publicised scheme for giving incentives to those who perform exceptionally well in certain items of the banks' business like deposit mobilisation or lending to priority sectors. These take the form of individual or group incentives and vary in content and detail from bank to bank. We would like to leave all incentive schemes to the discretion of the managements of the banks. As the growth of the business of a branch is generally the result of collective endeavours by the staff, we consider group incentive schemes to be preferable to the practice of offering incentives for individual effort.

Entertainment expenses

7.40 Entertainment expenses are incurred by bank officers for extending hospitality to the bank's clients and others contacting them in connection with the bank's business. These expenses are generally reimbursed; but in some cases an entertainment allowance is paid to cover them. It is mostly the operational officers at the field level like Branch Managers or Regional Managers who are allowed to incur the expenditure. In some banks the payment is linked to the business of the branch in terms of deposits/advances while in others it is linked to the area served. Generally, managers of small banks are allowed only Rs. 25/- per mensem towards entertainment expenses. At the regional manager/large branch levels, the permitted expenditure varies from Rs. 50/- to Rs. 150/-. At the executive level, it varies from Rs. 150/- to Rs. 500/- per mensem. State Bank of India reimburses actual expenses of officers in respect of whom annual limits are prescribed. Most of the managers of small branches visited by us have stated that the amount of Rs. 25/- per mensem allowed for entertainment is very inadequate and they are often obliged to incur the additional expenditure involved, out of their own pockets.

7.41 Expenditure on entertainment of clients is meant purely for promotion of banking business. The amount to be spent on this will depend on the size and nature of the business, the social strata of the clientele, etc. This is a matter which can best be

determined by the management. However, we feel that in view of the rise in prices of beverages, the minimum amount of expenditure on entertainment in any branch, where such expenditure is deemed necessary, should be of the order of Rs. 50/- per mensem, and that expenditure up to this limit should be reimbursable on the strength of a certificate of having incurred the expenditure by the officer concerned. But expenditure above Rs. 50/- up to the sanctioned levels should be reimbursed only on the basis of vouchers.

Other benefits

7.42 (a) *Club membership fees* — All the nationalised banks are paying the fee for membership in one or more clubs to their officers. The rationale of this practice appears to be that membership of the club enables the officers to promote the bank's business by having wide contacts with the local public and getting a more intimate knowledge about the standing of their clientele, actual and potential, from time to time. There is a wide variation in practices amongst the banks about the level of officers eligible for reimbursement of club membership fees. Such a practice exists also in the State Bank of India where some senior officers of the bank are allowed to become members of a club and their entry or admission fee is borne by the bank. Just as in the case of entertainment expenses, the amount to be spent on club membership fees will depend on the needs of business and it seems to us to be a matter which can best be left to the discretion of the management concerned.

***7.43** (b) *Telephone facilities* — Most of the banks allow officers who are allotted residential telephones to use them for personal purposes also. As we have mentioned earlier, criticisms have been levelled against this system which lends itself to abuse particularly because of the S.T.D. facilities now available. In this connection, we were impressed with the regulatory provisions made in one of the banks for the use of telephones. This bank allows up to 1500 calls per quarter to the top executives and 750 calls per quarter to others provided with residential telephones over and above the free calls allowed by the telephone department. The officer is required to pay for all calls above these prescribed limits. Such restrictions will no doubt induce officers to exercise greater care and economy in the use of telephones without prejudice to the needs of business. We would like to draw the attention of managements to the need for similar restraints on the use of telephones.

Telephones[13]

While the spirit of the recommendation is accepted, it is felt that any rigid rule imposing on the number of telephone calls that should be permitted may not be in the

* 13 Modification (covering para 7.43) Suggested by the Group of Bankers.

interest of the bank. It should be better to leave the method of imposing restraints on unlimited use of telephone, to the discretion of the management.

7.44 (c) *Payment of taxes by the bank* — It is found that one of the nationalised banks is reimbursing the profession tax paid by its Officers. The All India Bank Officers' Association and a few other individual officers have in their memoranda put forward a demand that banks should pay the taxes levied on their officers, such as income tax, profession tax, etc. It is surprising that such a demand should have been made, because payment of taxes is the duty of every citizen liable to pay them. The pay structure suggested by us has been devised on the assumption that the incidence of taxes will be on the officers themselves and as such we cannot countenance these demands. We recommend that the practice of the bank reimbursing any tax paid by the officers should be discontinued wherever it exists.

7.45 (d) *Insurance* — The Confederation has demanded that the banks should insure each officer for a minimum sum of Rs. 50,000 to cover death, or accident in the course of duty, as well as losses arising out of *bona fide* transactions in discharging his duties. As officers will not be liable in the normal course for losses arising out of their using discretion in good faith and without negligence in the day to day working of the bank, we do not think that there is any case for the banks insuring their officers against such losses. But group insurance to cover death or injuries to officers arising from accidents or violence while on duty stands on a different footing and is worthy of consideration by the banks as part of their welfare schemes.

CHAPTER 8

CONDITIONS OF SERVICE

Transferability of Officers

8.1 The transfer of officers of banks under a common ownership can be of two types. The first is transfer of officers between the head office and branches of the same bank located in different parts of India or abroad and the second is transfer between banks. Regarding the first, liability to serve anywhere in India is an essential condition of service of all officers in most of the nationalised banks, while service abroad is a liability imposed on officers of those banks which have foreign branches also. The pay structure recommended by us is based on this contingent liability.

8.2 The second question, *viz.*, transferability between banks is a matter for our consideration. Our terms of reference require us to make recommendations on "the principles that should govern the question of transferability of senior staff amongst the various nationalised banks, *i.e.* posts which involve control over banches in a region or which are entrusted with the responsibility of taking policy decisions or which carry at the beginning of the scale total emoluments including perquisites, of Rs. 2000/- and above per month". The transfer of officers between these nationalised banks has seldom been done in the past; but instances are not wanting of officers moving from one bank to another. There are some inherent difficulties in such transfers. As the majority of officers in banks have been promotees from the clerical cadre, they have tended to identify themselves with their parent bank and imbibe its traditions and culture. Further, the procedures, conditions of service, pay structures and organisational structures in these banks vary so much that it would be difficult for a transferee to adjust himself to a new set up in another bank.

8.3 The nationalisation of the 14 banks has brought them under a single ownership of the Government. This has introduced a new factor into the situation. Though for purposes of business these banks have been allowed to retain their separate identities, it would be difficult for the Government as owner to view them as water-tight compartments. The principle of centralised direct recruitment of junior officers already accepted by Government, the proposal to set up a National Banking Service Commission, and the standardisation of the pay structure of these banks for which this Committee has been appointed, are indications of a new approach to the structuring of these banks. The transferability of officers between these banks which the Banking Commission had recommended for the consideration of Government, would be another step in this direction. This has now been made one of the subjects of our enquiry, but it has been limited to the transferability of senior officers.

8.4 We have accordingly posed this question to the top managements of all the 14 nationalised banks, eminent individuals holding important positions in the banking sphere and several organisations of employees in the banks. The bulk of the evidence has been against introducing transferability even at the level of senior officers in the banks as a matter of policy, but a few have strongly supported transferability. In general, a system of deputations from one bank to another for limited periods to meet any special requirements that may arise in a bank have been favoured. Some have suggested limited transfers on a bilateral basis between banks.

8.5 Some of the arguments advanced against transferability are as follows :-

(i) An officer who is trained in the procedures and has absorbed the culture, traditions and ethos of one bank will find it difficult to function effectively in another bank.

(ii) The officers of the bank to which he is transferred would have an apprehension that this outsider might stand in the way of their career progression.

(iii) The success of an officer at the senior management level depends very much on his knowledge of the background and capacity of his fellow officers and the confidence he is able to inspire in them. A new-comer will be like a fish out of water.

(iv) An officer from outside may not receive the necessary cooperation from the staff; nay, he may even meet with resistance.

(v) It may have adverse repercussions on the business of the bank and violate its secrecy.

8.6 Some arguments have been advanced with equal force in support of transferability as well. Several knowledgeable people with considerable experience in the banking industry have averred that at the executive level, only management and policy making functions are to be discharged, which after all, are impersonal and, therefore, some of the objections mentioned above are irrelevant. It has also been pointed out that there is a real danger of vested interests developing, if officers stay on in the same set up for too long.

Further, it has been stressed that some mobility between the banks at the executive level might help in disseminating new ideas in management and improving the working of the nationalised banks.

8.7 The All India Confederation of Bank Officers' organisations has stated categorically that "it totally opposes transfers of Officers from one bank to another".

The All India Bank Employees' Association has expressed its opinion on this matter as follows :-

> "*Transferability:* In principle, we are not opposed to the interchangeability of the executives between the nationalised banks for full utilisation of efficient and capable personnel in the different types of work in the bank. At the same time, such a measure would, in our view, help in removing vestiges of vested interests and promote a sense of oneness in the entire nationalised banking sector. Such transfers should, however, be actuated by a careful, pragmatic and objective approach so as to dispel apprehensions of supersessions. In order to eliminate such feelings, combined seniority-cum-merit list of such executives of all nationalised banks should be maintained and reviewed periodically".

8.8 We have given careful consideration to the arguments both for and against transferability. In evaluating the evidence, however, it is important to note that opinions against transferability have been voiced mostly by the present managements of these banks, consisting of persons who are deeply rooted in the traditions and culture of their own banks. Persons outside the system, who could take an impartial view of the problem in the new context, have generally expressed opinions in favour of limited transferability. We have also to bear in mind that the 14 nationalised banks form a single group for all intents and purposes, though they retain their separate identities. On the analogy of the strength of a chain depending upon the strength of its weakest link, the strength of this group will depend upon the strength of its weakest unit. Transfer of personnel may be one of the methods of strengthening the weaker units of the group.

8.9 We find that, in the present set-up of these banks, the top management of some of the units needs considerable toning up in order to achieve optimum efficiency levels. The staff structure in these units demands strengthening by the infusion of new blood. There are in several cases a succession gap at the top level and vested interests have tended to entrench themselves. The procedures and practices in these banks generally are somewhat outmoded and little endeavour has been made to keep abreast of modern developments or to improve customer service. Scant attention has been paid to research on new procedures and practices, or to the evaluation of programmes and policies. After weighing all the evidence, and on a consideration of the present organisational structures and functioning of these banks, as also the needs of development, we are led to the conclusion that some interchangeability at the top level would be desirable and beneficial.

8.10 We recommend the following principles in this regard :-

(i) Transferability between banks at the senior management level as defined by us (salary scale Rs. 2000/- to Rs. 3000/-) should be deemed to be impracticable in the present context.

(ii) However, a system of deputations of senior officers for limited periods should be encouraged, if it is requested for by banks for meeting certain special requirements.

(iii) Top executives (salary Rs. 3000/- and above) may, for the present, be transferred from one bank to another to strengthen the staff structure in the weaker banks or to meet succession gaps, or to remove vested interests.

(iv) In course of time, the endeavour should be to throw open the top executive positions in all banks for selection on the basis of merit under the auspices of the Banking Service Commission from a common pool of senior officers or executives, as the case may be, drawn from all the banks.

(v) As a preliminary to such overall interchangeability and in the interests also of the efficient working of the banks, steps should be taken to modernise as well as standardise the procedures and practices in these banks.

Security of service

8.11 The officers of the nationalised banks are now public servants similar to officers in other public sector undertakings. The status of a public servant brings with it certain rights as well as responsibilities. The security of service which an employee of a public sector undertaking enjoys should, therefore, be available to these officers also. While the concept of security of service cannot be precisely defined, it has come to be recognised that it would comprise certain matters like proper procedures to be followed in disciplinary cases, opportunity to defend themselves in disciplinary proceedings and the availability of a grievance machinery for the redressal of grievances relating to unfair treatment or wrongful punishment on the part of the superiors. These rights would be concomitant with the responsibility on the part of the officers to conduct themselves in a manner befitting their rank and status and to set an example of disciplined behaviour.

8.12 We have not been required specifically to go into this question of security of service. But the subject has been raised in the memoranda submitted by certain officers' associations and individual officers to us. There are at present variations in the

regulations framed by the banks in this regard and these have to be looked into closely with a view to determining whether they are consistent with the principles of natural justice. We, therefore, wish to bring to the attention of Government the need for standardisation of the procedures relating to disciplinary inquiries and the drawing up of a code of conduct for officers.

Working hours

8.13 Certain representations have been made to us about the necessity to lay down precisely the working hours of officers with a view to avoiding too much physical strain on the officers who are required to work long hours in the bank. We do not see any merit in this demand, because these officers are public servants who can be called upon to discharge their duties at any time and the standardised pay structure we have recommended is based on a recognition of the current practices regarding working hours.

Leave entitlements

8.14 Bank officers are entitled to certain leave benefits, *viz.*, privilege leave, sick leave, extraordinary leave, casual leave, maternity leave and terminal leave. The present practices in this regard in the majority of the nationalised banks as also in the State Bank of India, Government of India and Insurance Corporations have been brought together for comparative purposes in Statement 26. Though there are variations between the nationalised banks in the matter of leave entitlements, they are mostly marginal. For example, while 12 banks allow privilege leave at 1/11th of the period spent on duty, two allow it only at 1/12th. The period up to which privilege leave can be accumulated also varies from 90 days to 300 days, but in eleven banks, it is 120 days. While most banks do not set any limit on availment, some banks have certain restrictions on the number of occasions or about the period which should lapse between one availment and the next. Regarding pay and allowances admissible during the period of privilege leave, while most of the banks allow full pay and allowances during the leave period, others allow either full pay only or full pay and a few allowances alone. Encashment of earned leave is permitted only in three banks.

8.15 In the matter of sick leave also, 12 banks allow it at the rate of one month for each year of service. In 3 banks additional sick leave is granted after 24 years of service at the rate of 30 days for each year of service subject to a maximum of 90 days. Eleven banks permit conversion of unavailed casual leave into sick leave on full pay. As for casual leave, a maximum of 12 days is allowed in eleven banks while in the others it goes up to 15 days. The limit on availment at a time is 4 days in nine banks. In some of the banks, provision exists for the grant of special casual leave for Trade Union work, sports activities, sterilization, etc. Only 7

banks have made specific provision for maternity leave; generally up to three months on any one occasion and 12 months during the entire service. Similarly, only six banks have made specific provision for extraordinary leave and they allow it up to three months on any one occasion and 12 months during the entire service. Terminal leave provisions in the event of leave being refused during service obtain in several banks.

8.16 Our approach to the standardisation of leave entitlement for officers is that the variations between banks in this regard being marginal, the dominent pattern may be adopted with such changes as may be deemed necessary. Existing practices which are found to be not very desirable will be either modified or dispensed with. We would also take into consideration the prevalent practices in Government as well as in the public sector of the banking industry.

8.17 Our recommendations regarding leave entitlement are as follows:

*(i) *Privilege leave:* Officers will be entitled to privilege leave at the rate of one-eleventh of the period of duty. Officers will be allowed to accumulate privilege leave upto 120 days and there will be no restriction on the period of availment at a time within this limit. Leave salary payable per mensem will be equal to the average monthly basic pay earned during the 12 calendar months preceding the month in which the leave commences plus the dearness allowance and house rent allowance admissible on the date on which the officer proceeds on leave.

> *11.1 Leave Entitlements — Accumulation*[14]
>
> *The question of leave entitlements was considered in details. At present in some banks privilege leave can be accumulated beyond 4 months. It would be unfair for such officers to reduce the maximum accumulation of leave from the present level to 4 months. The Group therefore, considers that while the recommendation could be implemented for new entrants, in the case of existing officers if they are entitled to higher accumulation of leave under the present rules it should be continued. Similarly, in the case of refused leave also, it should be allowed wherever it is obtaining, as permissible under the Government rules.*

(ii) *Sick leave:* When an officer falls sick, he will be granted sick leave at the rate of 30 days for each completed year on production of a medical certificate. Sick leave can be accumulated up to 360 days at a time. The leave salary payable when an officer is on

*14 Modification (covering para 8.17 (i)) suggested by the Group of Bankers.

sick leave will be half of his entitlement for privilege leave. The sick leave on half pay may, however, be allowed to be commuted to leave on full pay in the ratio of 2:1 in his entire service.

(*iii*) *Casual leave:* Casual leave may be allowed up to 12 days in a year with a limit of 4 days on availment at a time. As it is not an entitlement in the same sense as privilege leave or sick leave, officers need not be allowed to carry forward unavailed casual leave in a year. However, they may be permitted to prefix or suffix unavailed casual leave to sick leave.

(*iv*) *Extraordinary leave* without pay may be sanctioned up to 90 days at a time and not more than 360 days during the entire service period of the officer.

(*v*) *Maternity leave:* Officers may be granted maternity leave up to three months at a time including the post-natal period, subject to a maximum of 12 months during the entire service.

(*vi*) *Encashment of leave:* We fully agree with the arguments advanced by the Third Pay Commission against this practice and we would recommend its discontinuance in the banks where it is allowed. However, we would recommend the adoption of the Commission's recommendation that encashment of leave to the credit of the officer who dies while in service may be allowed up to the limit of 120 days and paid to the family.

(*vii*) *Terminal leave:* On retirement on the ground of leave being refused during service is another form of encashment of leave. As refusal of leave has generally become a formality, not dictated by the exigencies of work, we are against this practice. As no officer should be considered indispensable, we would recommend that leave preparatory to retirement should invariably be sanctioned.

(*viii*) *Additional sick leave.* The practice of granting additional sick leave after 24 years of service obtains in 3 banks only. We would not like to recommend its adoption by other banks or extend it to new entrants within these banks as the provisions already recommended for sick leave are considered adequate. Existing officers may be allowed to enjoy this facility, as it forms part of their conditions of service.

(*ix*) *Special casual leave*, as it obtains in some banks, is given for certain purposes such as trade union work which may not be quite justifiable in the case of officers. There are also deserving cases of officers performing civil defence or similar public duties or participating in competitive sports at the national level. We, therefore, recommend that special casual leave should not be one of the entitlements for officers; but managements may grant such leave sparingly in deserving cases.

Age of superannuation

8.18 According to existing practices, the age of superannuation (or retirement) in eleven of the nationalised banks is 60 years, with a provision that after an officer has attained the age of 57 years he can be retired, after giving him two months' notice in writing, if his efficiency is found to have been impaired. In another bank, though the age of superannuation is 60, the proviso about earlier retirement applies only when the officer has attained the age of 58 years. In two other banks the age of superannuation itself is 58 years.

8.19 An officer in the State Bank of India retires from service on attaining the age of 55 years or upon completion of 30 years pensionable service whichever occurs first, with provision for extension normally up to 58 years and thereafter up to 60 years of age, subject to physical fitness and continued satisfactory service. In the Life Insurance Corporation of India, the age of retirement is 58 years which may be extended by one year at a time up to 60 years, with provision for retirement after the age of 55, if the efficiency of the officer is found to have been impaired. In the Central Government, the age of superannuation is 58 years with provision for compulsory retirement after 50 years of age or 30 years of service. The General Insurance Services Integration Committee has recommended a similar provision for general insurance officers. For a member of the Award staff in banks, the age of superannuation is 60 years, but when he completes the age of 57 years, he may be retired after giving him two months' notice in writing, in case his efficiency is found by the employer to have been impaired.

8.20 Regarding this matter, we have elicited the views of managements as well as the individuals/officers/associations who had submitted memoranda and given oral evidence. The general consensus of opinion is in favour of retaining the age of superannuation at 60 years which is the dominent pattern in the banks. The weight of evidence is also in favour of giving managements the discretion to retire an officer between the ages of 55 and 58 if his efficiency or faculties or health is impaired or there are adverse reports about him which have been substantiated.

8.21 We find that in the majority of public sector banks the age of superannuation is 60 years. Even in State Bank of India and Life Insurance Corporation, though it is 58, provision has been made for extension up to 60 years subject to physical fitness and continuous satisfactory service. As the age of superannuation in the Government is 58 years, there is a case for adopting it as a uniform pattern in all the public sector undertakings. But, for all practical purposes, the effective age of superannuation in the public sector generally is 60 years. Though in some cases it is fixed at 58, extensions are allowed up to 60, while in others it is fixed at 60 and a review is provided for at the age of 57 or 58. In this matter we have to give weight to two important factors. The first is that

in 12 out of 14 banks the existing practice is that officers superannuate at the age of 60. Secondly, for the Award staff in banks the age of superannuation is 60. As this is a condition of service, all existing officers may claim it as a matter of right. Clerks who are promoted as officers in future may also legitimately demand the continuance of this condition of service when they become officers. Thus any change in the existing practice could apply only to the small number of officers to be directly recruited in future.

8.22 In the circumstances, we recommend that the age of superannuation of officers in the banks should be 60 years, with a provision for review at the age of 58 years to adjudge the fitness of the officer for continuance in service. In order to remove uncertainties, the above review may be initiated on the officer attaining the age of 57 years and completed well before he reaches 58 years.

Terminal benefits

8.23 By terminal benefits we mean all benefits allowed to an officer at the time of his retirement or termination of service. We have already dealt in Chapter 6 with the payment of travelling allowance to officers on retirement. In this section we deal with the other terminal benefits. The major retirement benefit scheme available in these banks is a contributory provident fund-cum-gratuity. Only one bank, *viz.*, the Allahabad Bank has a pension scheme in lieu of gratuity. The existing practices are brought together in Statement 27. The Provident Fund and Gratuity rules are common to officers and Award staff. There is also much uniformity in these rules. The exceptions are that in Punjab National Bank the rate of monthly subscription to provident fund is $9\frac{3}{8}$ per cent of the monthly pay as against $8\frac{1}{3}$ per cent in the other banks. In Bank of Baroda the extra amount of gratuity payable to an officer is 6 months pay plus allowance on completion of 25 years of service, while the general pattern is half month's pay for each completed year of service beyond 30 years. There is no system of compassionate gratuity or family pension in case of premature death or disablement of officers in banks.

8.24 We find that there is already a broad measure of standardisation amongst the banks in regard to retirement benefits of officers, the only major deviations being those noted above in three banks. We feel that these banks should also fall in line with the generality of banks in this regard. We recommend the following standardised pattern of terminal benefits:—

(i) There should be a contributory provident fund scheme in all the banks. The rate of contribution should be $8\frac{1}{3}$ per cent of the pay; pay for this purpose being defined as basic pay plus officiating allowance, if any. This rate of contribution shall apply to all new incumbents to the posts of officers in Punjab National Bank

also; but the present rates of contribution there may be allowed to continue in respect of existing officers.

Regarding entitlement to provident fund balances, the existing rules are found to be satisfactory and require no change.

(ii) The following provisions regarding gratuity may be made applicable to all the 14 banks: Gratuity should be paid at the rate of one month's pay for each completed year of service subject to a maximum of 15 months' pay, in the event of retirement or death in service, or disablement rendering further service impracticable or voluntary retirement or resignation after 10 years' continuous service. 'Pay' for the purpose of calculating gratuity will be basic pay and officiating allowance, if any, paid during the 12 months preceding the above contingencies. In regard to Allahabad Bank, the supplementary pension scheme in lieu of gratuity may continue for the existing officers but all new incumbents to the posts of officers should be governed by the contributory provident fund-cum-gratuity scheme only.

An extra amount should be payable at the rate of half month's pay for each completed year of service beyond 30 years. Existing officers in Bank of Baroda may be given an option either to adopt this uniform pattern regarding extra gratuity or to continue in the present system.

(V. R. Pillai)
Chairman

(K. P. J. Prabhu) (J. M. Lalvani)

(S. M. Joshi) (R. Rajamani)

New Delhi
30 May, 1974

SUMMARY OF RECOMMENDATIONS

The Pay Structure

1. The major requirements of a sound pay structure are inclusiveness (Para 4.13), comprehensibility (4.14), adequacy (4.15), rationality (4.16) and career planning (4.17).

2. Regarding the *principles* that should govern the structure of pay scales of officers of nationalised banks, our approach is as follows:

(a) The principle of capacity to pay loses much of its significance in the determination of pay scales of officers in the fourteen nationalised banks against the background of uniform pay scales for Award staff established by them irrespective of their profitability or capacity to pay. (Para 4.22).

(b) We endorse the principle of equal pay for equal work as a guiding principle in the standardised pay structure. (Paras 4.23 and 4.24).

(c) The principle of fair comparison has several limitations as a guide to wage fixation in the Indian economy in the present context. (Paras 4.25 to 4.27).

(d) The basic principle underlying the pay structure should be to relate pay scales to functions and responsibilities. The practice of rewarding officers by extra allowances for holding more responsible posts should be dispensed with. (Paras 4.24 and 5.2).

3. The standardised *grade structure* for the 14 nationalised banks is based on the identification of four broad levels of responsibility in the officer cadre. Each level would correspond to a grade in the pay structure and there will be one or more scales within each grade.

Grades	*Scales*
1. Top Executive	VII VI
2. Senior Management	V IV
3. Middle Management	III II
4. Junior Management	I

(Para 5.5).

4. The minimum basic pay of officers in the junior management grade should be fixed at Rs. 700/- per mensem on par with comparable categories. (Para 5.11)

5. The following are the *standardised pay scales* within the grade structure mentioned above:

Grades	*Scales*	
Top Executive	VII	3000-125-3500
	VI	2750-125-3250
Senior Management	V	2500-100-2700
	IV	2000-100-2400
Middle Management	III	1800-75-2250
	II	1200-70-1550-75-2000
Junior Management	I	700-700-40-900-50-1100-EB-1200-60-1800.

(Para 5.13).

N.B.: All the scales are related to the figure of 200 with quarterly average of the All India Working Class Consumer Price Index (Base 1960=100).

6. We consider that the period of *probation* for directly recruited junior officers should be two years which may be further extended by one year in the case of probationers not satisfying any or all the requirements suggested for confirmation.

Each direct recruit should be required to learn one regional language in addition to his mother tongue, during the period of probation.

Probationers should be treated as officers for all intents and purposes from the date of their entry into the junior management grade. But they will not be entitled to draw any allowance during the first year. In the second year they will be eligible to draw D.A., City Compensatory Allowance and House Rent Allowance depending on the place to which they are posted. They will be entitled to an increment on confirmation as a regular officer at the end of the second year on successful completion of probation (Paras 5.17 and 5.18).

7. Promoted officers from the workmen staff will be on probation for one year and they should undergo institutional training for a period of not less than six months. They will be entitled to draw their first increment in the scale at the end of the first year itself on confirmation (Paras 5.16 and 5.20).

8. The pay structure should provide for *accelerated promotions* for the meritorious by reserving about 25 per cent of the vacancies in the higher grades for it. Officers in the junior management grade will be eligible for merit promotion to Scale II in the middle management grade on the fulfilment of 7 years of service and a pass in both parts of the CAIIB or 10 years of service and a pass in Part I of the CAIIB or 12 years of service. Officers with 10 years of service in the middle management grade will be eligible for promotion to the senior management grade. Officers with 5 years service in the senior management grade will be eligible for election to the top executive grade. (Paras 5.21 and 5.23)

9. Seniority promotions are recommended to the middle management grade and subsequently to the senior management grade. Seniority should be determined on an all-India basis. (Paras 5.25 and 5.26)

10. All promotions from one scale to a higher one within a grade and all seniority promotions from one grade to a higher one will be exclusively a management function. But accelerated promotions from one grade to the higher grade should be on the advice of a Promotion Committee with which a member of the National Banking Service Commission should be associated. (Para 5.22)

11. Early steps should be taken to integrate the existing *specialised officers* with the general banking line. All specialised officers should be placed in scale I. In course of time, the needs of specialised work should be met from the directly recruited or promoted officers with the necessary specialised background.

Chartered Accountants and Economists with several years of experience recruited at higher levels may either be integrated with general line or provided with adequate promotion opportunities on a par with general officers of the same seniority.

Law Officers may be allowed lateral entry into higher grades and provided scales of pay for promotion in their own line comparable to those in the general line. (Para 5.29)

12. The *categorisation* of positions of officers in a bank below the senior management level is to be done by each bank. Certain guidelines have been suggested for such categorisation including norms for classifying the branches of banks. Categorisation of posts at higher levels should be by an *ad hoc* Committee appointed by the Government. The fitment of officers in scales will be the responsibility of the management of each bank. (Paras 5.30, 5.31 and 5.34)

13. The standardised pay structure including the set of allowances and perquisites recommended by us should be implemented as a

'package' from an appointed date. It should apply to all officers to be directly recruited or promoted after the appointed date, as also those previously recruited by the banks and undergoing probation on that date. Officers already in position may be given an option to elect for the new scales or continue on the old scales until the turn of their present grade. (Para 5.33)

14. In the matter of *fitting officers* in the new scales, the basic principle should be that their existing emoluments in respect of basic pay and D.A. should be protected. We have suggested separate formulae for the fitment of existing officers and future promotions. (Paras 5.34, 5.35 and 5.40)

Dearness Allowance

15. We have adopted the principle of 75% neutralisation of the increase in the cost of living up to a salary level of Rs. 900/- per mensem. Officers up to this level will be eligible to get quarterly adjustments in the D.A. for every rise or fall of 8 points above 200 in the quarterly average of the All India Working Class Consumer Price Index (1960 = 100). The rate of adjustment will be 3% of the basic pay for every change of 8 points in the quarterly average of the Index. The quantum of D.A. adjustment for every 8 points in the salary ranges above Rs. 900/- per mensem will be limited to Rs. 27/- per mensem. For officers in the salary range of Rs. 901 to 1600/- per mensem, the first adjustment will be for a block of 16 points and the second will be for the next block of 8 points. Officers in the salary ranges Rs. 1601/- and above will get their first adjustment of D.A. for a block of 24 points. This cycle of adjustments for blocks of 8, 16 and 24 points will be repeated for every change of 24 points in the average Index. However, there will be a ceiling, *viz.*, that salary plus D.A. should not exceed Rs. 2400/- per mensem. The formula will be subject to suitable marginal adjustments. (Para 6.9)

16. *House rent allowance* may be paid to all officers not provided with accommodation. The officer should bear monthly rental charges up to 10% of his basic pay. House rent allowance will be payable to officers to compensate them for the excess of the actual rent paid over and above this 10%, at the rates mentioned below on the strength of rent receipts.

1. Major 'A' class cities (Bombay, Delhi, Calcutta, Madras and Hyderabad)	Up to 25% of basic pay subject to a maximum of Rs. 400/-
2. Area I	Up to 20% of basic pay subject to a maximum of Rs. 300/-

3. Area II	Up to 15% of basic pay subject to a maximum of Rs. 250/-
4. Area III	Up to 10% of basic pay subject to a maximum of Rs. 250.

(Paras 6.16 and 6.17)

17. *City Compensatory Allowance* (CCA) for officers in the nationalised banks should be paid in Area I only, and the rate should be 10% of basic pay subject to a maximum of Rs. 100/- per mensem. It is payable only so long as an officer is working in Area I. (Para 6.25)

Other Area Allowances

18. The Goa Allowance should be abolished and instead C.C.A. should be paid to officers working in the urban agglomerations of Panaji and Marmagoa which may be included under Area I for this purpose. (Para 6.26)

Special Area allowances may be paid in difficult, inaccessible or expensive places at the discretion of the managements. Where, in such places more than one nationalised bank operates, uniform practices may be adopted by mutual consultation. Such allowances should not exceed Rs. 150/- per mensem in Andamans, Nicobar, Laccadives, Minicoy, Mizoram, Arunachal Pradesh and Ladakh and Rs. 100/- per mensem in other places (Para 6.27).

Project Area Compensatory Allowance

Officers working in project areas may be paid allowances at the rate of Rs. 40/- per mensem in Group A and Rs. 25/- per mensem in Group B areas. (Para 6.28)

Travelling Allowance

19. Detailed recommendations have been made for standardised Travelling Allowance Rules relating to journeys performed on duty (Para 6.31), on transfer (Para 6.32) and on retirement (Para 6.33).

Leave Travel Concession facility has been recommended to be available for travel to home town in a block of two years and for travel to any place in India once in a block of 4 years. (Para 6.34)

Conveyance Allowance

20. Conveyance allowances as they obtain today may be discontinued. Instead, where officers are obliged to use their private vehicles for official purposes, they should be compensated for the expenditure at rates to be fixed by the banks. (Para 6.40)

Deputation Allowance

21. (1) When an officer is posted to work in a training institution run by the same bank or jointly with other banks, he should be deemed to be on deputation and paid a deputation allowance at the rate of 10% of his basic pay.

(2) When an officer is sent on deputation outside his parent bank, he should be entitled to draw, at his option, pay and allowances attaching to the new post or receive his grade pay and allowances plus a deputation allowance of 20% of basic pay. (Para 6.41)

22. *Officiating Allowance:* An officer officiating in a higher post for not less than *10 days* should be paid an officiating allowance equal to the difference between the basic pay of the higher post and his own basic pay, together with special allowance, if any, attaching to the higher post. (Para 6.43)

23. *Allowances to Senior Management Personnel:* The existing allowances to senior management personnel should be abolished when they are fitted into the new scales. (Para 6.44)

24. *Onerous Duty/Discomfort Allowances* as well as special allowances to inspecting staff such as servants allowance, type allowance, overstay allowance, etc. may be abolished. Supplementary diem allowance for inspecting staff has been recommended. (Para 6.45 and 6.31)

25. *Post Allowance/Branch Allowance/Duty Allowance:* These may be abolished as soon as officers are fitted into the standardised pay structure. (Paras 6.47 to 6.49)

26. *Personal Allowances:* The present system of personal allowances as a corollary to running scales of pay should be abolished. Personal allowance to protect existing emoluments of officers in the process of fitment into the new pay structure may be resorted to as a transitional measure. Higher qualifications when needed should be rewarded by advance increments and not by personal allowance. Professional qualifications obtained while in service may be rewarded, if need be, by lumpsum rewards only (Para 6.51)

27. *Closing Allowance* should be paid only to officers who are directly engaged in the closing work at the rate of Rs. 150/- for every half yearly closing. (Para 6.53)

28. *Split Duty Allowance* may be paid at the rate of Rs. 25/- per mensem to officers performing split duty. (Para 6.54)

29. *Test Cypher Allowance* may be abolished. (Para 6.55)

30. *Vault Custodian Allowance* as such should be abolished but an officer required to work as custodian of vaults or lockers on bank holidays should be paid a diem allowance at the rate to which he is entitled. (Para 6.56)

31. *'Hill and Fuel' allowance:* An integated 'hill and fuel' allowance may be paid for officers at the following rates.—

Category	*Rate*
Officers staying at altitudes of and over 1500 metres	10% of basic pay subject to a maximum of Rs. 100/- per mensem.
Officers staying at altitudes of and over 1000 metres but below 1500 metres	8% of basic pay subject to a maximum of Rs. 75/- per mensem.

(Para 6.59)

32. *Water Scarcity Allowance* may be discontinued wherever it is being paid. (Para 6.60)

33. *Foreign branch allowances:* These may be fixed by the individual bank managements. However, if in the same foreign city two or more nationalised banks have their branches, a uniform pattern for such allowances and perquisites may be fixed by mutual consultation by the concerned managements. (Para 6.61)

34. *Sundry Allowances* obtaining in some of the banks may be discontinued. (Para 6.62)

35. *Medical Aid:* Officers and their families should be given medical aid facilities. The family for this purpose may be defined as consisting of spouse, wholly dependent children and wholly dependent parents. (Para 7.7)

Reimbursement of medical expenses should be on the strength of the officer's own certificate of having incurred such expenditure, supported by a statement of accounts for the amounts claimed. (Para 7.8)

The following maxima are recommended for reimbursement of medical expenses of officers in different salary ranges.

Basic Pay Range	*Reimbursement Limit per annum*
Officers drawing Rs. 700-1200 p.m.	Not exceeding Rs. 300/-
Officers drawing Rs. 1201-2000 p.m.	Not exceeding Rs. 400/-
Officers drawing Rs. 2001 and above p.m.	Not exceeding Rs. 500/-

Accumulation beyond one year should not be allowed. However, 'on account' payment may be made at the end of the half year, limited to half the total entitlement for the year. (Para 7.9)

Hospitalisation charges should be reimbursed on the strength of bills, vouchers to the extent of 75% in the case of the officer and 50% in the case of his family members in respect of all cases which require hospitalisation. Detailed recommendations have been made about the nature of the facilities permissible and the charges reimbursable. (Para 7.10)

36. *'Free' House:* The practice of providing free houses to officers should be discontinued. All officers accommodated in houses provided by the bank should be required to pay 10% of the basic pay or the standard rent, whichever is less. (Para 7.13)

Wherever residential accommodation is provided by the banks, electricity, water, gas and other conservancy charges should invariably be paid by the officers concerned and not by the bank. (Para 7.14)

37. *'Free' furniture and furnishings:* Banks may provide furniture to officers on a moderate scale excluding luxury items such as air-conditioners, refrigerators, etc. But the officers should be required to pay reasonable hire charges for the furniture provided. (Para 7.17)

The practce of providing furnishings to the officers should be discontinued. (Para 7.18)

38. *Free servants:* No free servants should be provided and no servant allowance should be given. (Para 7.20)

39. *Free car and driver:* The present system of the bank providing a free car to the senior officers is not favoured. All bank officers provided with cars should be required to pay for the use of the bank's cars for private purposes either on a mileage rate or on a monthly rate to be fixed by the banks concerned. Bank cars so provided should be available for all official purposes to the bank and can be put to private use only when they are not required for official purposes. These cars should be maintained by the bank but in respect of drivers the bank may either appoint drivers or pay a monthly amount to the officer in charge of the car for engaging a driver. (Para 7.24 & 7.25)

40. *Loans:* The practice of granting the following loans at concessional rates of interest may be discontinued.

(1) Loans for floods/droughts

(2) Loans for purchase of consumer goods

(3) Winter/warm clothing loans
(4) Loans for children's education
(5) Loans for children's or own marriages
(6) Festival loans
(7) Loans for registration of telephones under O.Y.T. scheme.
(8) Loans for booking cars or scooters.

The only loans to be granted at concessional rates should be loans for the purchases of conveyances, and housing loans. (Para 7.29)

41. *Conveyance loans:* The following guidelines may be adopted for the sanction of such loans to officers in the nationalised banks.

	Loans for purchase of car	*Loans for purchase of scooter/motorcycle*
Eligibility	Officers drawing basic pay of Rs. 1200 and above may be eligible.	All confirmed officers may be eligible.
N.B.: Loans will be admissible for car or scooter.		
Maximum amount payable	80% of the cost of the car subject to a maximum of Rs. 20,000	90% of the cost of the vehicle subject to a maximum of Rs. 4000/-
Number of instalments	Should be repayable with interest in 60 months	Should be repayable with interest in 60 months
Rate of interest	1% less than the bank rate at the time of sanctioning the loan	1% less than the bank rate at the time of sanctioning the loan

(Para 7.33)

42. *Housing loans:* The following standardised guidelines may be adopted by the nationalised banks for the grant of these loans:—

Eligibility	All confirmed officers with 5 years' continuous service in the bank may be eligible provided they are not in receipt of any house loans from any other institutional agency.
Maximum amount admissible	It should be calculated at the rate of 50 months' basic pay or 80% of the actual cost whichever is less, subject to a maximum of Rs. 80,000/-
Period of repayment	Twenty years
Rate of interest	Bank rate prevalent at the time of sanction of loan subject to a minimum of 5% per annum.

(Para 7.35)

43. *Preferential interest rates on deposits:* Bank officers may be allowed 1% additional rate of interest over the ruling rate in respect of all fixed deposits. This facility should be confined to the deposits of the officer made individually or jointly with his wife, and not extended to his relatives. The practice now obtaining in one bank of paying interest on current accounts of officers as well as deposits for 14 days or less may be discontinued. (Para 7.37)

44. *Subsidised meals:* It would be desirable to provide common canteen facilities to officers rather than to give them subsidised meals. (Para 7.38)

45. *Incentive payments:* All incentive schemes may be left to the discretion of the managements of the banks. Group incentive schemes may be preferred to the practice of offering incentives for individual effort. (Para 7.39)

46. *Entertainment Expenses:* This is a matter which can best be regulated by the management. However, where entertainment expenditure at the branch level is deemed necessary, it should be of the order of Rs. 50/- per mensem reimbursable on the strength of the officer's certificate. But expenditure above Rs. 50/- up to the sanctioned levels should be reimbursed only on the basis of vouchers. (Para 7.41)

47. *Club Membership Fees:* This is left to the discretion of the managements. (Para 7.42)

48. *Telephones:* There is need for economy in the use of telephones. Suggestions have been made for imposing restraints on the unlimited use of telephones at the expense of the bank. (Para 7.43)

49. *Taxes:* We do not envisage the bank paying the tax liabilities of its officers. The practice of reimbursing taxes paid may be discontinued wherever it exists. (Para 7.44)

50. *Insurance:* Providing group insurance cover for death or injuries occurring while on duty could be considered. (Para 7.45)

51. *Transferability:* The following principles regarding inter-bank transferability of officers are recommended:

(i) Transferability between banks at the senior management level as defined by us (pay scale Rs. 2000/- to 3000/-) should be deemed to be impracticable in the present context.

(ii) However, a system of deputations of these senior officers for limited periods, at the request of banks, to meet certain felt wants should be encouraged.

(iii) Top executives (pay Rs. 3000 and above) may, for the present, be transferred from one bank to another to strengthen the staff structure in the weaker banks or to meet succession gaps, or to remove vested interests.

(iv) In course of time, the endeavour should be to throw open the top executive positions in all banks for selection on the basis of merit under the auspices of the Banking Service Commission from a common pool of senior officers or executives, as the case may be, drawn from all the banks.

(v) As a preliminary to such overall inter-changeability and in the interests also of the efficient working of the banks, steps should be taken to modernise as well as standardise the procedures and practices in these banks. (Para 8.10)

52. *Security of Service:* There is need for standardisation of the procedures relating to disciplinary inquiries and the drawing up of a code of conduct for the officers. (Para 8.12)

53. *Working Hours:* Our pay structure is based on the current practices regarding working hours which need not be disturbed. (Para 8.13)

54. *Leave entitlements:* Detailed recommendations have been made regarding leave entitlements relating to privilege leave, sick leave, casual leave, extraordinary leave without pay, maternity leave, encashment of leave, terminal leave, additional sick leave and special casual leave. (Para 8.17)

55. *Age of Superannuation:* The age of superannuation of officers in the banks should be 60 years, with a provision for review at the age of 58 years to adjudge the fitness of the officer for continuance in service. The above review may be initiated on the officer attaining the age of 57 years and completed well before he reaches 58 years. (Para 8.22)

56. *Terminal benefits:* A system of contributory provident fund and gratuity has been recommended. (Para 8.24)

General Recommendations

57. We are convinced that a national approach should be adopted in the matter of wage policy. (Para 4.11)

58. We have drawn attention to the need for strengthening the manpower planning cells or departments in the banks in order to link manpower requirements and even establishment costs with studies of productivity. (Para 2.25)

59. A well organised research and development wing which not only organises research into the technical aspects of banking in relation to the bank's business and customer service, but also links this to research on the structuring of personnel policies like induction training and orientation of staff, would be an asset to the bank. (Para 2.26)

60. A pool of the research findings could be utilised by a co-ordinating agency of public sector banks in formulating its advice on common areas like planning and utilisation of surplus funds, personnel planning, etc. (Para 2.26)

61. There should be a well worked out career plan for the officers of banks which provide not only for vertical progression, but also for horizontal mobility through job rotation at each stage of his career. (Para 4.19)

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